**CONTENTS**



MOSES & ASSOCIATES ★ NAIROBI ★ P. O. Box 3067-00200
09 JUL 2021

## DODLA DAIRY KENYA LIMITED
## COMPANY INFORMATION

| | |
|---|---|
| **REGISTERED OFFICE** | L.R No. 209/1907 Avocado Towers,<br>Muthithi Road Westlands<br>P.O. Box 45669-00100<br>Nairobi. |
| **DIRECTORS** | Sunil Reddy Dodla<br>Venkat Krishna Reddy Busireddy |
| **COMPANY SECRETARY** | Mutual Registrars Associates<br>P.O. Box 45669-00100<br>Nairobi. |
| **AUDITORS** | Moses and Associates.<br>Certified Public Accountants (K)<br>P.O. Box 3067-00200<br>Nairobi. |
| **BANKERS** | Standard Charted Bank<br>P.O. Box 30003-100<br>Nairobi.<br><br>Equity Bank<br>P.O. Box 75104-00200<br>Nairobi |

MOSES & ASSOCIATES ★ P. O. Box 3067-00200 NAIROBI ★
09 JUL 2021

The Directors submit their report together with the audited financial statements of the Company for the year ended 31 March, 2021.

## PRINCIPAL ACTIVITIES

The company is in the business of procuring and selling milk and milk products across Kenya.

## PARENT COMPANY

The company's Authorised, Issued and Paid Up Share Capital is 2,500 Ordinary shares of 1,000 /= each; 25 shares are owned by Venkat Busireddy Krishna Reddy while 2,475, shares are owned by Dodla Holding pte Limited a company incorporated and domiciled in Singapore whose registered office is 1 Robison Road, #17-00AIA Towers.This being the ultimate parent company, it prepares the Group Consolidated Financial Statements.

## RESULTS FOR THE YEAR

The results for the year are as shown on page 6.

The Net Profit/(loss) for the period of Kshs. (5,535,204/-)March-2020: Kshs. 14,306,796/=has been added to retained earnings.

## DIVIDENDS

The Directors do not recommend the payment of a dividend.

## DIRECTORS

The directors who served office during the year were:
Sunil Reddy Dodla
Venkat Krishna Reddy Busireddy

## AUDITORS

Moses and Associates, the company's auditors have indicated willingness to continue in office in accordance with section 719(2) of the Kenyan Companies Act.

*By order of the board*

*Director*

*Director*

*Date:* 09/07 *2021.*

MOSES & ASSOCIATES ★ P. O. Box 3067-00200 NAIROBI ★
09 JUL 2021

## DODLA DAIRY KENYA LIMITED
## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the company's operating results for that year. It also requires the directors to ensure the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31 March 2021 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

*Approved by the board of directors on...09/07............2021 and signed on its behalf by:*

*Director* ____________________

*Director* ____________________



MOSES & ASSOCIATES
09 JUL 2021
P. O. Box 3067-00200 NAIROBI

**MOSES & ASSOCIATES**
**CERTIFIED PUBLIC ACCOUNTANTS (K)**
**P. O. BOX 3067-00200, SURAJ PLAZA**
**LIMURU ROAD, OFF THIKA ROAD**
**3RD FLOOR,T4**

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**+254 727 952 896**
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## INDEPENDENT AUDITOR'S REPORT

**To the shareholders of Doldla Dairy Kenya Limited**

### Opinion

We have audited the Financial Statements of Dodla Dairy Kenya Limited set out on pages 6 to 23, which comprise the Statement of Financial Position as at 31 March ,2021, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view, in all material respects, the financial position of Dodla Dairy Kenya Limitedas at 31 March ,2021,and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Stand and the requirements of the Kenyan Companies Act.

### 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 Financial Statements* section of our report. We are independent of the company in accordance with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code)* and other independence requirements applicable to performing audits of 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial statements of the current year. These matters were addressed in the context of our audit of the Financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

### Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Kenyan Companies Act, which we obtained prior to the date of this report. Other information does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 for the Financial Statements

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

In preparing the 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.

MOSES & ASSOCIATES ★ P. O. BOX 3067-00200 NAIROBI ★
09 JUL 2021

### Auditor's responsibilities for the audit of the Financial Statements

Our 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 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 Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 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 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 Financial Statements, including the disclosures, and whether the 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.

### 5. Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

**The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Moses Thuku P/No.- 2168**

Moses & Associates

**Certified Public Accountants (K)**
**Nairobi.**
**Date:** 09/07/2021

MOSES & ASSOCIATES ★ NAIROBI ★ P. O. Box 3067-00200
09 JUL 2021

**DODLA DAIRY KENYA LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 MARCH 2021**

| | *Notes* | **March 2021 Kshs.** | **March 2020 Kshs.** |
|---|---|---|---|
| **Revenue** | 3 | 1,094,704,467 | 1,858,067,605 |
| Cost of Sales | 4 | (1,003,830,357) | (1,726,736,042) |
| *Gross Profit* | | 90,874,110 | 131,331,563 |
| Other operating income | 5 | (8,064,080) | (9,593,184) |
| Employee Benefit Expenses | 6 | (46,972,518) | (42,825,966) |
| Auditors remuneration | 8 | (211,207) | (197,707) |
| Other Expenses | 9 | (41,035,913) | (56,478,671) |
| **Profit/ (loss) from operations** | | (5,409,608) | 22,236,035 |
| Finance costs | 7 | (342,469) | (516,248) |
| **Profit/ (loss) before tax** | | (5,752,077) | 21,719,787 |
| Income tax expenses | | 216,874 | (7,412,990) |
| **Total comprehensive income for the year attributable to the owners of the company** | | (5,535,204) | 14,306,797 |

*Note:*
The notes on page 10 to 23 form part of these financial statements.

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09 JUL 2021
P. O. Box 3067-00200 NAIROBI

## DODLA DAIRY KENYA LIMITED
## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2021

| | Share capital | Retained earnings | **Totals** |
|---|---|---|---|
| Balance at 1 April 2020 | 2,500,000 | (1,531,830) | 968,170 |
| Net Loss for the year | | (5,535,204) | (5,535,204) |
| Balance at 31 March 2021 | 2,500,000 | (7,067,033) | (4,567,033) |

MOSES & ASSOCIATES
09 JUL 2021
P. O. Box 3067-00200

DODLA DAIRY KENYA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

| | Notes | March 2021 Kshs. | March 2020 Kshs. |
|---|---|---|---|
| **ASSETS** | | | |
| **Non Current Assets** | | | |
| Property, Plant and Equipment | 11 | 4,241,095 | 5,244,326 |
| Deferred Tax | 14 | 1,111,307 | 287,971 |
| | | 5,352,402 | 5,532,297 |
| **Current Assets** | | | |
| Inventories | 12 | 29,839,181 | 26,467,436 |
| Trade and Other Receivables | 13 | 10,193,582 | 31,829,226 |
| Cash and Cash Equivalents | 17 | 10,344,223 | 7,154,550 |
| | | 50,376,986 | 65,451,212 |
| **TOTAL ASSETS** | | **55,729,388** | **70,983,509** |
| **EQUITY & LIABILITIES** | | | |
| **Capital & Reserves** | | | |
| Issued Capital | 18 | 2,500,000 | 2,500,000 |
| Retained earnings | | (7,067,033) | (1,531,830) |
| | | (4,567,033) | 968,170 |
| **Current Liabilities** | | | |
| Trade and Other Payables | 15 | 56,646,344 | 66,971,725 |
| Taxation Account | 16 | 3,650,077 | 3,043,614 |
| | | 60,296,421 | 70,015,339 |
| **TOTAL EQUITY & LIABILITIES** | | **55,729,388** | **70,983,509** |

The financial statements on pages 6 to 23 were approved for issue by the board of directors on 09/07 2021 and were signed on their behalf by:

*Director* *Director*

MOSES & ASSOCIATES ★ P. O. Box 3067-00200 NAIROBI ★
09 JUL 2021

## DODLA DAIRY KENYA LIMITED
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2021

| | March 2021 Kshs. | March 2020 Kshs. |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Profit/ (loss) before tax** | (5,752,077) | 21,719,787 |
| *Adjustments for:-* | | |
| Depreciation | 1,565,513 | 1,385,861 |
| Loss on disposal of property, plant and equipment | 701,220 | - |
| **Operating profit before working capital changes** | (3,485,344) | 23,105,648 |
| Increase in Inventories | (3,371,746) | (4,280,608) |
| Increase in Trade and other Receivables | 21,635,644 | 17,417,605 |
| Increase in Trade and other Payables | (10,325,381) | (35,086,167) |
| *Cash generated from Operations* | 4,453,173 | 1,156,478 |
| *Net cash from operating activities* | 4,453,173 | 1,156,478 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Property, Plant and Equipment | (2,019,501) | (3,142,437) |
| Proceeds from sale of equipment | 756,000 | - |
| *Net cash used in investing activities* | (1,263,501) | (3,142,437) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| *Net cash used in financing activities* | - | - |
| **Net (Decrease) /increase in cash and cash equivalents** | *3,189,672* | *(1,985,959)* |
| **Cash and cash equivalent at beginning of year (Note 17)** | **7,154,550** | **9,140,511** |
| **Cash and cash equivalent at end of year (Note 17)** | **10,344,223** | **7,154,550** |

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09 JUL 2021

## GENERAL INFORMATION

Dodla Dairy Kenya Limited is incorporated and domiciled in Kenya under the Kenyan Companies Act as a private company limited by shares. The address of its registered office is L.R. No. 209/1907 Avocado Towers,Muthithi road Westlands, P.O.Box 45669-00100 Nairobi, Kenya. The principal activity of the company is procuring and selling milk and milk products across Kenya.

## 1 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They are presented in Kenya Shillings(Kshs). The measurement basis used is the historical cost basis as modified by the revaluation of certain properties, certain financial instruments at fair value and impaired assets at their recoverable amounts.

## NEW STANDARDS AND INTERPRETATIONS

### STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**IFRS 16**

*IFRS 16* is effective for annual periods beginning on or after **1 January 2019**. Early application is permitted for entities that apply IFRS 15 'Revenue from Contracts with Customers' at orbefore the date of initial application of this standard.In terms of transition, IFRS 16 provides lessees with achoice between two broad methods:

• full retrospective application – with restatement of comparative information in accordance with IAS 8'Accounting Policies, Changes in Accounting Estimates
and Errors'

• partial retrospective application – without restating comparatives. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment
to equity at the date of initial application. If a lessee chooses this method, a number of more specific transition requirements and optional reliefs also apply.

**Definition of a Business (Amendments to IFRS 3)**

The amendments acknowledge that despite most businesses having outputs, outputs are not necessary for an integrated set of assets and activities to qualify as a business. In order to meet the definition of a business the acquired set of activities and assets must have inputs and substantive processes that can collectively significantly contribute to the creation of outputs.The changes are to be applied prospectively to businesscombinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Companies can apply them earlier if they disclose this fact.

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09 JUL 2021
P. O. BOX 3.. ..00 NAIROBI

**IFRS 17 Insurance Contracts**

The objective of the disclosure requirements of IFRS 17 is to disclose information which allows the users of financial statements to assess the effect that contracts within the scope of the Standard have on the entity's financial position, financial performance and cash flows. Entities should provide quantitative and qualitative information about amounts recognised in the financial statements, significant judgements (and changes thereof), and the nature and extent of risks arising from contracts within the scope of the Standard

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.

## 1 SIGNIFICANT ACCOUNTING POLICIES

### a Revenue recognition

Revenue from sales of goods is recognized when the goods are dispatched irrespective of the terms of sale. Revenue from sale of services is recognized upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

Revenue is measured at the fair value of the consideration received or receivable, net of discounts. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

### b Inventories

Cost comprises direct materials and, where applicable, direct labor costs and overheads that have been incurred in bringing the inventories to their present location and condition. Cost of issues are calculated using the average cost (AVCO) method. Net realizable value represents the estimated selling price less all estimated costs of disposal.

### c Impairment of tangible assets

At each balance sheet date, the company reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount represents the greater of the net selling price and the value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in income immediately.

### d Property, plant & equipment

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

Subsequent costs are included in the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance is charged to the profit and loss account in the year to which it relates.

MOSES & ASSOCIATES ★ 09 JUL 2021 ★ P. O. BOX 3067-00200 NAIROBI

**Property, plant & equipment cont'**

Increases in the carrying amount arising on revaluation are credited to the revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to the profit and loss account. Annually, the difference between depreciation based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### d Property, plant & equipment(Continued)

Depreciation is calculated to write off the cost or valuation of fixed assets on a straight line balance basis, over the expected useful lives of the fixed assets concerned. The annual rates used for this purpose are:

| | |
|---|---|
| Furnitures, Fittings & Equipment | 8 year |
| Office Equiptment | 8 year |
| Computers, Fax & Copier | 3 years |

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

### e Lease Amortization

Leasehold land is amortized over the period of the lease.

### f Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Kenya Shillings using the exchange rate prevailing as at that date. The resulting gains and losses from the settlement of such transactions and translations are recognized on a net basis in the profit and loss account in the year in which they arise.

### g Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

All other borrowing costs are recognized in net profit or loss for the period in which they are incurred.

MOSES & ASSOCIATES 09 JUL 2021 P. O. BOX 3067-00200 NAIROBI

**h Financial assets**

The company classifies its financial assets into the category of loans and receivables. Management determines the appropriate classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

## 1 SIGNIFICANT ACCOUNTING POLICIES

**h Financial assets**

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

(iii) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

**Recognition and measurement**

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other gains/(losses) being net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the right to receive payments is established.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income.

Dividends on available-for sale equity instruments are recognized in the income statement as part of other income when the company's right to receive payments is established.

MOSES & ASSOCIATES
09 JUL 2021
P. O. BOX 3067-00200 NAIROBI

*Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

## 1 SIGNIFICANT ACCOUNTING POLICIES

### h Financial assets (continued)

*Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash receipts (including all fees, transaction costs and premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the assets have been impacted.

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment individually. Objective evidence of impairment for receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amounts reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

*Derecognition of financial assets*

The company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred asset, the company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

### i Financial liabilities and equity instruments issued by the company

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

i) Classification as debt or equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

09 JUL 2021

ii) Financial liabilities

Financial liabilities are classified in the category of other financial liabilities.

1 **SIGNIFICANT ACCOUNTING POLICIES .**

i **Financial liabilities and equity instruments issued by the company**

iii) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

*Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

*Derecognition of financial liabilities*

The company derecognizes financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

j **Financial Risk Management**

Other loans and receivables, financial assets and financial liabilities at fair value through profit and loss and do not have any form of collateral but are maintained at normal trade levels as per the company's trend.

k **Provision**

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of obligation.

l **Cash and Cash equivalents**

These comprise cash on hand and at bank, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

m **Current Taxation**

The tax currently payable is based on taxable profit for the year. Taxable profits differ from net profit as reported in the income statement as it is adjusted in accordance with tax legislation. The company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

n **Comparatives-** Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**Leasing and Hire purchase commitments**

o Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalized in the balance sheet and depreciated over their useful lives.

p **Receivables**

Receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off in the year in which they are identified.

09 JUL 2021
P. O. BOX 3067-00200 NAIROBI

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### q Retirement Benefits

The Company contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and shared equally between employer and employee.

## 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies.

In the process of applying the company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial years. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical areas of accounting estimates and judgments in relation to the preparation of these financial statements are as set out below:

### a Property and equipment

Critical estimates are made by the directors in determining the useful lives and residual values of property, plant and equipment based on the intended useful lives of the assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

### b Inventories

Critical estimates are made by the directors in determining other costs to be included in the cost of inventories to the extent that they are incurred in bringing the inventories to their present location and condition.

## 3 REVENUE

The following table disagregates revenue by major products

| | March 2021 Kshs. | March 2020 Kshs. |
|---|---|---|
| Ghee - 1000 Ml | 59,518 | 265,006 |
| Ghee Bucket - 4 Ltr | 4,210 | 1,273,817 |
| Ghee - 20 Ltr | 87,720 | 2,124,652 |
| Ghee - 500 Ml | 68,320 | 132,099 |
| Uht Milk Esl - 200 Ml | 287,888,414 | 590,365,330 |
| Uht Milk Esl - 500 Ml | 212,102,505 | 356,047,972 |
| Uht Milk Fino - 500 Ml | 574,314,465 | 907,858,727 |
| Dodla Plus ESL Milk-250 | 12,650,173 | |
| Dodla Plus ESL Milk-400 | 7,529,142 | |
| | 1,094,704,467 | 1,858,067,604 |

MOSES & ASSOCIATES
09 JUL 2021
P. O. BOX 3067-00200 NAIROBI

| | March 2021 | March 2020 |
|---|---|---|
| **4 COST OF SALES** | **Kshs.** | **Kshs.** |
| Opening inventories | 26,467,436 | 22,186,828 |
| Purchases | 1,007,202,102 | 1,731,016,650 |
| | 1,033,669,538 | 1,753,203,478 |
| Closing inventories | (29,839,181) | (26,467,436) |
| | 1,003,830,357 | 1,726,736,042 |

| | March 2021 | March 2020 |
|---|---|---|
| **5 OTHER OPERATING INCOME** | **Kshs.** | **Kshs.** |
| Realized exchange gain/Loss | (7,362,860) | (9,593,184) |
| Loss on Disposal of asset | (701,220) | - |
| | (8,064,080) | (9,593,184) |

| | March 2021 | March 2020 |
|---|---|---|
| **6 Employee Benefit Expenses** | **Kshs.** | **Kshs.** |
| Salaries & wages | 45,430,397 | 40,630,948 |
| Staff welfare & uniforms | 1,542,121 | 2,195,018 |
| | 46,972,518 | 42,825,966 |

| | March 2021 | March 2020 |
|---|---|---|
| **7 Finance Costs** | **Kshs.** | **Kshs.** |
| Bank charges and interest | 342,469 | 516,248 |
| | 342,469 | 516,248 |

| | March 2021 | March 2020 |
|---|---|---|
| **8 Auditors remuneration** | **Kshs.** | **Kshs.** |
| Auditor's Remuneration | 211,207 | 197,707 |
| | 211,207 | 197,707 |

| | March 2021 | March 2020 |
|---|---|---|
| **9 Other Expenses** | **Kshs.** | **Kshs.** |
| General expenses | 23,167 | 3,548 |
| Legal & professional expenses | 1,447,321 | 1,411,265 |
| Light & Water | 187,643 | 196,077 |
| Motor Vehicle Running Expense | 342,663 | 61,127 |
| Office supplies | 763,067 | 1,620,681 |
| Postage, telephone and email | 800,201 | 1,190,011 |
| Printing & stationery | 114,226 | 323,068 |
| Advertising | 447,637 | 1,505,188 |

MOSES & ASSOCIATES
P.O. Box 3067-00200 NAIROBI
09 JUL 2021

9 **Other Expenses continued**

| | | |
|---|---|---|
| Rent & rates | 10,637,738 | 12,975,329 |
| Security expenses | 392,900 | 372,406 |
| School fees | 898,088 | 1,028,460 |
| Insurance | 865,998 | 31,317 |
| Work Permit | 1,719,087 | 1,151,621 |
| Travel & entertainment | 2,265,905 | 4,923,252 |
| Unrealised Exchange loss | - | 594,988 |
| Depreciation | 1,565,513 | 1,385,861 |
| Freight & delivery | 14,513,348 | 27,011,136 |
| Bad Debts | 4,051,411 | 693,336 |
| | 41,035,913 | 56,478,671 |

**10 OPERATING PROFIT**

| | March 2021 Kshs. | March 2020 Kshs. |
|---|---|---|
| The following items have been charged in arriving at operating profit: | | |
| Depreciation | 1,565,513 | 1,385,861 |
| Auditors remuneration | 211,207 | 197,707 |

**11 PROPERTY, PLANT AND EQUIPMENT (refer Page 23)**

**12 INVENTORIES**

| | March 2021 Kshs. | March 2020 Kshs. |
|---|---|---|
| Finished goods | 29,839,181 | 26,467,436 |
| | 29,839,181 | 26,467,436 |

**13 TRADE AND OTHER RECEIVABLES**

| | March 2021 Kshs. | March 2020 Kshs. |
|---|---|---|
| Trade receivables | 44,161 | 21,611,242 |
| Other receivables | 6,458,288 | 4,727,080 |
| Prepayments | 1,857,920 | 2,549,508 |
| Deposits | 1,833,213 | 2,941,396 |
| | 10,193,582 | 31,829,226 |

**14 DEFERRED TAX**

Deferred Tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30%.

The movement on the deferred tax account is as follows:

| | March 2021 Kshs. | March 2020 Kshs. |
|---|---|---|
| At beginning of the year | (287,970) | (4,657,346) |
| Income statements (Credits) | (823,337) | 4,369,376 |
| Balance as at 31/03/2021 | (1,111,307) | (287,970) |

Deferred Tax assets and Deferred Tax credits in the profit and loss account are attributable to the following items:

MOSES & ASSOCIATES ★ NAIROBI ★ P.O. Box 3067-00200
09 JUL 2021

| | (Credited) to P & L | March 2021 Kshs. | March 2020 Kshs. |
|---|---|---|---|
| *Deferred Tax Liabilities* | | | |
| Accelerated Tax Depreciation | (823,337) | (1,111,307) | (287,970) |
| Net Deferred tax liability | (823,337) | (1,111,307) | (287,970) |

## 15 TRADE AND OTHER PAYABLES

| | March 2021 Kshs. | March 2020 Kshs. |
|---|---|---|
| Trade payables | 52,675,268 | 62,712,762 |
| Accruals | 3,971,076 | 4,258,963 |
| | 56,646,344 | 66,971,725 |

## 16 TAXATION ACCOUNT

| | March 2021 Kshs. | March 2020 Kshs. |
|---|---|---|
| **a Statement of comprehensive income** | | |
| Current tax | 606,463 | 3,043,614 |
| Deferred tax (Note 14) | (823,337) | 4,369,376 |
| Tax Charge | (216,874) | 7,412,990 |
| **b Statement of financial position** | | |
| Balance as at 01/04/2020 | - | - |
| Corporation tax for the year | 1,086,378 | 3,043,614 |
| Minimum tax | 2,563,699 | - |
| Balance as at 31/03/2021 | 3,650,077 | 3,043,614 |
| **c Reconciliation of tax charge to expected tax based on accounting profit** | | |
| Accounting profit/(loss) before tax | (5,752,077) | 21,719,787 |
| Tax applicable rate of 30% | (1,725,623) | 6,515,936 |
| Tax effect of (expenses not deductable for tax )/non | 1,359,107 | 1,769,299 |
| taxable income | (321,955) | (479,930) |
| Current tax | 606,463 | (4,761,691) |
| Tax losses | 688,472 | |
| Deffered tax provision for the year | (823,337) | 4,369,376 |
| Current tax charge | (216,874) | 7,412,990 |

## 17 CASH AND CASH EQUIVALENTS

| | At 1 April 2020 Kshs. | Cash Flows Kshs. | At 31 March 2021 Kshs. |
|---|---|---|---|
| Cash on hand | 383,934 | 196,778 | 580,712 |
| Mpesa | 176,712 | (146,381) | 30,331 |
| Cash at bank | 6,593,904 | 3,139,276 | 9,733,180 |
| | 7,154,550 | 3,189,673 | 10,344,223 |

| **18 SHARE CAPITAL** | **March 2021 Kshs.** | **March 2020 Kshs.** |
|---|---|---|
| *AUTHORISED* | | |
| 2,500 Ordinary shares of Kshs 1000/= each | 2,500,000 | 2,500,000 |
| *ISSUED & FULLY PAID UP* | | |
| 2,500 Ordinary shares of Kshs 1000/= each | 2,500,000 | 2,500,000 |

## 19 RELATED PARTIES

Balances due from related party balances relate to inter-company financing and normal trading transactions; related party balances at the end of the period were:

*a) AMOUNT DUE TO RELATED PARTY*

| | **March 2021 Kshs.** | **March 2020 Kshs.** |
|---|---|---|
| Lake Side Dairy | 47,681,396 | 59,212,153 |
| | 47,681,396 | 59,212,153 |
| **b) TRANSACTIONS WITH RELATED PARTY** | | |
| Purchases from Lakeside Dairy | 1,181,628,985 | 1,717,214,421 |
| | 1,181,628,985 | 1,717,214,421 |

## 20 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are:

i) to match the profile of its assets and liabilities, taking account of the risks inherent in the business;

ii) to maintain financial strength to support business growth; and

iii) to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The company has a number of sources of capital available to it and seeks to optimize its debt to equity structure in order to ensure that it can consistently maximize returns to shareholders.

The company monitors capital on an increasing positive net asset basis, which is total assets less total liabilities and equals capital and reserves. During the year, the company strategy was unchanged and it shows total equity and reserves of Kshs. 4,567,033

## 21 FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk ), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

Risk management is carried out by the board of directors. The board identifies and evaluates risks.

MOSES & ASSOCIATES ★ P. O. Box 3067-00200 NAIROBI ★
09 JUL 2021

**FINANCIAL RISK MANAGEMENT (continued)**

**(a) Market risk**

(i) Foreign currency risk

The company's main operations are concentrated in Kenya and its assets and liabilities are reported in the local currency. It has transactions in foreign currency which are mainly denominated in US Dollars.

(ii) Interest rate risk

The company's exposure to the risk of changes in market interest rates relates primarily to the company's loans. The company manages its interest risk by having a balanced portfolio of local and foreign currency loans and borrowings.

There would be an immaterial change to the financial statements had interest rates changed.

(ii) Interest rate risk

Borrowings issued at variable rates expose the company to cash flow interest rate risk Borrowings issued at fixed rates expose the company to fair value interest rate risk. Company policy is to maintain its borrowings on variable interest rates.

During period to 31 March 2021, the company's borrowings were at variable rates but pegged to local banks' base rate for local borrowings and LIBOR for foreign borrowings, hence reducing the risk as these rates have fluctuated marginally.

**(b) Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Prudent liquidity risk management includes maintaining sufficient cash. Management monitors rolling forecasts of the company's liquidity reserve on the basis of expected cash flow.

Surplus cash held by the company over and above balance required for working capital management are invested in deposits.

## 22 CAPITAL EXPENDITURE COMMITMENTS

There were no capital commitments authorized and contracted for or not contracted for.

MOSES & ASSOCIATES
09 JUL 2021
P. O. Box 3067-00200 NAIROBI

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Furnitures, Fittings & Equipment | Motor Vehicles | Computers, Fax & Copier | Computer Software | Total |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 April 2020 | 2,264,959 | 1,607,184 | 1,185,826 | 2,300,498 | 7,358,467 |
| Additions | 99,501 | 1,920,000 | - | - | 2,019,501 |
| Disposals | - | (1,575,000) | - | - | (1,575,000) |
| | 2,364,460 | 1,952,184 | 1,185,826 | 2,300,498 | 7,802,968 |
| **Depreciation** | | | | | |
| At 1 April 2020 | 430,498 | 81,867 | 561,824 | 1,039,951 | 2,114,140 |
| Charge for the Year | 284,056 | 183,124 | 331,500 | 766,833 | 1,565,513 |
| | 714,554 | 147,211 | 893,324 | 1,806,784 | 3,561,873 |
| **NET BOOK VALUE** | | | | | |
| At 31 March 2021 | 1,649,906 | 1,804,973 | 292,502 | 493,714 | 4,241,095 |
| At 1 April 2020 | 1,834,461 | 1,525,317 | 624,002 | 1,260,547 | 5,244,327 |

MOSES & ASSOCIATES * P. O. BOX 3067-00200 NAIROBI *
09 JUL 2021

**DODLA DAIRY KENYA LIMITED**
**AS AT 31/03/2021**
**ADJUSTING JOURNAL ENTRIES**

| | | Balance sheet | | Profit and loss a/c | |
|---|---|---|---|---|---|
| | | Debit | Credit | Debit | Credit |
| 1 | Deferred Tax expense -P&L | | | | 823,337 |
| | Deferred Tax Liability | 823,337 | | | |
| | Being deferred tax provision for the period ended 31.03.2021 | | | | |
| 2 | Tax expense -P&L | | | - | |
| | Tax Liability | | - | | |
| | Being tax provision for the period | | | | |
| | Tax expense -P&L | | | | 445,926 |
| | Deferred Tax Liability | 445,926 | | | |
| | Tax Liability | | | | |
| | To reverse tax provision provided during the year | | | | |
| | | 1,269,263 | - | - | 1,269,263 |
| | | | | | - |

**Reconcilaition of Client's to Audited Financial statement**

| | |
|---|---|
| **Loss as per client management accounts** | 6,804,466 |
| Less: total of debits to profit and loss account | - |
| Add: total of credits to profit and loss account | (1,269,263) |
| **Profit as per audited financial statements** | 5,535,204 |

**Director** **Director**

**Date:**__________ **2021** **Date:**__________ **2021**

MOSES & ASSOCIATES ★ NAIROBI ★ P. O. Box 3067-00200
09 JUL 2021