

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PADOCC 1 A/D	
DATE: 21 FEB 2023	DAY: TUESDAY
TABLED	DEPUTY LEADER OF MAJORITY PARTY
CLERK-AT THE-TABLE:	ITZOFU MWALE

OF

THE AUDITOR-GENERAL

ON

KABIANGA TEA FARM COMPANY LIMITED

FOR THE YEAR
ENDED 30 JUNE, 2021



KABIANGA TEA FARM

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

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I. KEY COMPANY INFORMATION

Background information

Kabianga Tea Farm Company Limited was incorporated under the companies Act (Cap 486) on 20th June 2008. The Company was previously wholly owned by the County Council of Kipsigis which became defunct with the promulgation of the constitution of Kenya 2010. The County Government of Kericho became its successor and is represented by the County Executive Committee Member for Agriculture, Livestock & Fisheries Development who is responsible for the general policy and strategic direction of the *company*. The County Government of Kericho, through The County Assembly of Kericho, has established Kabianga Tea Farm as an Agency of the County Government of Kericho. This was established by an Act; The Kericho County Kabianga Tea Farm Act No. 8 of 2021. The Act came into effect on 6th August 2021.

Principal Activities

The principal activity of Kabianga Tea Farm is to harvest good quality green leaf tea from its farm and sell it to green leaf tea processors.

Vision.

To be a good quality tea producer for the future and for posterity.

Mission.

Facilitate access to employment opportunities through enabling environment that fosters value for money for socio-economic development.

Core Values

Transparency

Kabianga Tea Farm will endeavour to act in a transparent, predictable and understandable manner to its stakeholders

Equitability

Kabianga Tea Farm will deal with its stakeholders in a just and impartial manner

I KEY COMPANY INFORMATION (Continued)

Customer focus.

Kabianga Tea Farm will endeavour to satisfy its customers' needs

Teamwork.

Kabianga Tea Farm staff will embrace togetherness and team spirit in carrying out their duties. Synergy among the staff members shall be highly valued for better achievement of objectives

Objectivity.

Kabianga Tea Farm will endeavour to be impartial in carrying out its mandate

Transparency.

Kabianga Tea Farm will endeavour to act in a transparent, predictable and understandable manner to its stakeholders.

Integrity.

Kabianga Tea Farm board and staff members will strive to be professional, honest, fair and ethical at all times

Courage.

In the performance of their duties, Kabianga Tea Farm Boards and staff shall be bold in the execution of their duties and shall be prepared to mitigate any risks or challenges

Directors

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

- | | | | |
|----|----------------------|---------------------------|---|
| 1. | Nicholas Kirui | - Chairman | - Appointed on 9 th July 2019 |
| 2. | Lilian Kerio | - Member | - Chief Officer-Agriculture, Livestock & Fish. |
| 3. | Livingstone Kipkoech | - Member | - Appointed on 9 th July 2019 |
| 4. | Mary Siele | - Member | - Appointed on 9 th July 2019 |
| 5. | Johnson Rono | -Member | - Alternate to C.O Agriculture, Livestock & Fisheries |
| 6. | Erick Siele | - Member | - Appointed on 9 th July 2019. |
| 7. | Victor Langat | - Member | -Chief officer – Trade,Wildlife & Cooperatives |
| 8. | David Sawe | - Chief Executive Officer | -Appointed 1 st December 2020. |

I KEY COMPANY INFORMATION (Continued)

Corporate Secretary

Ms. Joyce Kilel
P.O. Box 112- 20200,
Kericho.

Registered Offices

Kabianga Tea Farm Co. Ltd.
Off Kericho- Kisii Highway , Next to University of Kabianga,
P.O. Box 20 – 20201
Kabianga, Kericho- KENYA

Corporate Contacts

Telephone: 254-0746-261 499
E-mail: kabiangateafarm@yahoo.com
Website: www.kabianga.go.ke

Corporate Bankers

Co operative Bank of Kenya Ltd
P.o. Box 1742- 20200
Kericho.

Independent Auditors

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

I KEY COMPANY INFORMATION (Continued)

Principal Legal Adviser.

The County Attorney,
County Government of Kericho,
P.O. Box 112
Kericho , 20200

II THE BOARD OF DIRECTORS

Ref	Directors	Details
	Nicholas Kirui	Mr Kirui is the Chairman of board. He is a management consultant and has vast experience in the tea industry spanning over 30years having worked with Unilever Tea (K) Ltd.
	Livingstone Kipkoech Kirui	Mr. Kirui is an independent director and chairs the Technical committee of the board. He has a bachelor's degree in Human Resource Management.
	Erick Siele	Mr Siele has a bachelor's degree in business management, A Certified Public Accountant and currently chairs the Audit Committee of the board
	Mary Siele	Ms Mary has a bachelors degree in Education. She is chairing the Finance & Procurement Committee of the Board.
	Lilian Kerio	Ms Lilain Kerio is currently the Chief Officer, Department of Agriculture, Livestock & Fisheries development and is trained in Plant pathology, having worked previously as a researcher at Tea Research Institute.
	Victor Langat	Mr. Langat is currently the Chief officer, Department of Trade, Wildlife ,Cooperatives & Industrialization.
	Johsntone Rono	Mr. Rono is currently the County Director of Agriculture and an alternate director to The Chief officer – Agriculture.
	David Sawe	Mr. David Sawe is the Chief Executive Officer and has a degree in Agricultural Economics

II THE BOARD OF DIRECTORS (Continued)

	Cs Joyce Kilel	Joyce Kilel training background in Human Resource Management. She is currently head of HR at the Department of Health Services and a member of the Institute of Certified Secretaries.
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III . MANAGEMENT TEAM

Ref	Management	Details
1	David Sawe – Chief Executive Officer – Holds a degree in Agricultural Economics	Overall operations of the farm
2	Bernard Bore – Mr Bore has a bachelor’s degree in Commerce and a member of ICPAK.	In charge of Finance and procurement
3	Chepchirchir Chumo – Ms Chumo has a Bachelors degree in Agricultural Economics	In Charge of Field operations, Transport and Human Resources

IV . CHAIRMAN'S STATEMENT.

Results

The farm reported a loss from operations of KSh. 48,574 compared to a loss of Sh. 2,715,820.00 in prior year 2019/20.

Crops Volume.

The crop harvested from the farm during the year 1,937,587.75 kgs. In prior year (2020) the crop realised was 1,968,148.30 kgs. The total land area under tea at the farm is 121 Ha. From this volume of green leaf realised, the production per bush translated to 1.49kg whereas in prior year (2020) the production per bush was 1.51kg. The farm delivered its green leaf tea for processing at Unilever, DL Teas Kapchebet, Williamson Tea and Evergreen Tea Factory during the year.

Value Addition.

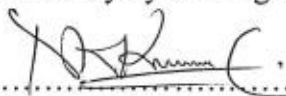
To make the farm sustainable, it needs to diversify and do value addition to its raw green leaf. The revenues from green leaf tea has average approximately ksh. 47 million over the past five years. The department of Agriculture, Livestock & Fisheries is engaging the County Assembly to appropriate funds for the establishment of a speciality tea processing factory. This will enhance revenues for the farm and the County at large.

Markets.

During the year under review, attempts were made to reform the tea industry. New regulations were published to accompany the dormant Tea Act of 2018. The Ministry of Agriculture has intentions to redefine how the tea industry operates. The full impact of the reforms being undertaken along the tea value chain shall be realised once all the reforms have been implemented. This might cascade to lower levels and prices of tea to the producer/farmer might be better.

Cost of Production

All tea harvested by the farm is done manually. Big plantations have mechanized plucking of green leaf to be able to reduce their cost of production. Some of the processors have approached the farm to partner with them to introduce mechanical harvesting of tea. The politics of mechanization may inhibit the farm from deploying this technology but this is one area that the farm can benefit immensely by battling the ever rising costs and ensuring the farm remains viable and sustainable.


.....
Nicholas Kirui

Date.....12/04/2022.....

Chairman.

V . REPORT OF THE CHIEF EXECUTIVE OFFICER

Green leaf tea revenues.

Green leaf harvested at the farm during the year under review was sold to the following factories for processing; Unilever Tea (K) Limited, Kapchebet Tea Factory Limited, Williamson Tea and Evergreen Tea Limited. There was also revenue earned from Green Leaf tea on Duka Moja Farm- KEWASCO site. The Duka moja farm is wholly managed by Kaisugu Limited.

Below is a comparative analysis of volumes, prices per kg of green leaf and revenues from tea sold to the different processors.

Factory	2021			2020		
	Vol(kgs)	Prices	Revenues	Vol(kgs)	Prices	Revenues
Kapchebet	86,385	18.29	1,580,116	367,804.30	19.25	7,082,088
Unilever	36,085	17.00	613,445	828,379.00	20.35	16,859,834
Williamson	180,995	28.90	5,230,755	771,965.00	29.43	22,722,557
Evergreen	1,634,122	23.70	38,724,384	-	-	-
Sub Totals	1,937,587		46,148,700	1,968,148.30		46,664,479
Duka Moja		22.00	87,669			
Bonus(Unilever)	342,464	3.37	1,156,387			
Totals			47,392,756			46,664,479

Different factories have different standards of leaf that they accept for processing. The different leaf standards translate to different volumes of green leaf realised from the fields. Williamson Tea Plc changed their leaf standards from 65% to 80% in August 2020. This was as a result of declining black CTC prices at the Mombasa Auction. With this stringent leaf standards, the volume of leaf the farm was able to deliver to the factory came down drastically to an average of 3,500 kgs per day. Therefore , the Farm had no option but to look for an alternative tea factory with reasonable leaf standard with appropriate revenue.

Revenues from green leaf tea for the period under review was Sh,47,392,756.50. In prior year (2020) revenues from green leaf tea was Sh. 46,664,479.90. This translated to an increment on green leaf revenues of Ksh. 728,276.90 despite a drop in volume of 30,560 kgs due to reduced cost of production.

V. REPORT OF THE CHIEF EXECUTIVE OFFICER(Continued)

The price fluctuations at the Mombasa tea auction affects the prices offered by the processors to the producers. This fluctuation which has been on the downward trend is out of our hands and improving operational efficiencies and curbing costs in key areas is the only way to remain profitable.

Cost of Production

Total costs of production during the year under review was ksh. 23,951,489.85. In prior year total costs of production was ksh. 25,176,532.65. This was lower by Ksh. 1,225,042.80. Generally, costs remained at almost similar level. Total administrative costs was ksh. 25,626,707.18 whereas in prior year, total administrative costs was ksh. 25,394,078.74. During the year under review, costs were more by Ksh. 232,628.44.

Performance.

The Farm faced various challenges during the year. There was hail damage to the crop in October 2020 which resulted in estimated crop loss of approximately 150,000kgs. This resulted in revenue losses of approximately Ksh. 3,750,000.00 as there was total labour lay-off and no plucking of leaf for more than 21 days. The average tea price was Ksh. 24.46 in 2021 whereas in prior year the average tea price was ksh. 23.70

The farm recorded an after tax profit of Ksh. 135,320 during the year compared to a loss after tax of Ksh 2,606,084 in the year 2020.



.....
David Sawe

Date.....12/04/2022.....

Chief Executive Officer

VI . CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the process and structure used to direct and manage business affairs of the Company. The principles and standards adhered to by the board are mirrored on the 'mwongozo' guide for public entities.

The board consists of eight members appointed by the County Government of Kericho. They comprise of the Chairman, who is a non-executive member, the County Executive Committee Members in charge of Agriculture & Finance, two Chief officers , one(1) from the Department of Agriculture and one(1) from the department of Trade and three(3) other members. The Chairman and the three independent directors who are not officers of the County Government are appointed for a three-year term which is renewable once by the County Government of Kericho who is the principal shareholder.

It is a mandatory requirement that all newly appointed directors of the farm are taken through induction training for them to acquaint themselves with their roles and responsibilities.

The Board is responsible for formulating policies and strategies and ensuring that the business objectives aimed at promoting and protecting the interests of the stakeholders are achieved. The board ensures that procedures and practises are set to ensure effective control over strategic, financial, operational and compliance issues.

The board went through an induction training in the Month of June 2021. This was facilitated by the Kenya School of Government.

Committees of the Board.

The board has established 4 standing committees, which meet under terms set by the board.

Technical Committee

The members of the this Committee are, Mr. Livingstone Kipkoech(Chairman) , Mr. Nicholas Kirui Ms. Lilian Kerio and Mr Johnston Rono. The committee is in charge of all activities related to production in the field.

VI CORPORATE GOVERNANCE STATEMENT (Continued)

Human resources Committee.

The members of this committee are Mr. Johnstone Rono (Chairman) Mr. Livingstone Kipkoech and Ms Marie Siele.

Finance and Procurement Committte

The Members of this committee are Ms Mary Siele (Chairperson), Erick Kimutai Siele and Mr. Victor Langat

Audit Committe

The members of this committee are Mr. Kimutai Siele (Chairman) , Ms Mary Siele and Mr Livingstone Kipkoech.

Director's remuneration during the year.

The Non-Executive directors are paid allowances for attending meetings. The rates are as stipulated by the salaries and remuneration commission. Additional fees are paid for further responsibilities such as visiting the farm and attending other meetings as may be required.

VII . MANAGEMENT DISCUSSION AND ANALYSIS

Tea crop.

The company solely relies on sales of green leaf tea to processors in raw form. The processors have been facing volatile market conditions which impacted on their overall performance leading to depressed prices offered to producers.

The following are comparative tea production statistics and revenues earned by the farm for the past five years together with the prices offered by the processors.

Year ended 30th June	Kapchebet	Unilever	Williamson Tea PLC	Evergreen Tea Ltd	Total Volume (kgs)	Total Rev. Green leaf
2021						
- Green leaf Vol	86,385.00	36,085.00	180,995.00	1,634,122.75	1,937,587.75	47,392,756.50
-Prices (Mon/ Bonus)	18.30 -	17.00 3.37	25 4.43	23.00 2.62		
2020						
-Green Leaf Vol	367,804.30	828,379.00	771,965.00	-	1,968,148.30	46,664,479.90
- Prices (Mon/ Bonus)	20.35 -	17.00 0.60	25 4.43	- -		
2019						
Green Leaf Vol	644,824.40	1,144,885.00	-	-	1,789,709.00	51,523,939.00
Prices (Mon/ Bonus)	26.65 -	26.00 5.00	-	- -		
2018						
Green Leaf Vol	788,467.00	1,144,175.00	-	-	1,932,642.00	66,051,520.60
Prices (Mon/ Bonus)	28 -	26.00 13.00	-	- -		
2017						
Green Leaf Vol	576,219.00	949,760.00	-	-	1,525,979.00	49,078,081.60
Prices (Mon/ Bonus)	26 -	26 11.00	-	- -		

*Mon – Monthly rate

* Bonus – Second payment rate

Since the farm relies on prices offered by the processors, its revenues are impacted by what the processors offer as final pay for green leaf tea delivered. The different processors have varying minimum leaf quality standards that they accept at their factories for processing.

The quality standards for the Williamson tea Plc is minimum 80% whereas Evergreen leaf standards is minimum 65%.

VII . MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Performance

The farm's performance for the last five years is as indicated in the table below;

Year ended 30th June	Volume- Green Leaf	Revenues – Green Leaf	Revenues - Others	Total Revenues	Totals Costs & Exp.	Surplus
2021	1,937,587.75	47,392,756.50	2,136,886.26	49,529,622.75	49,578,197.03	(48,574.28)
2020	1,968,148.30	46,664,479.90	1,190,310.80	47,854,790.70	50,570,611.40	(2,715,820.70)
2019	1,789,709.00	51,523,939.00	1,869,000.00	53,392,939.00	52,981,473.00	411,465.35
2018	1,932,642.00	66,051,520.60	1,221,644.00	67,273,164.60	53,194,776.80	14,078,387.80
2017	1,525,979.00	49,078,081.60	1,093,030.65	50,171,112.25	41,884,987.00	8,286,123.80

Tea industry Outlook.

The tea industry has been undergoing reforms with a view to ensuring efficiency, transparency and good governance in the value chain with the ultimate objective of improving farmers' earnings. One of the major elements of the reform agenda has been to transform the price discovery mechanism through automation of the Auction trading platform.

Among the key benefits from this initiative has been the elimination of the need of traders to be physically present in the auction room.

There has been a sharp decline in tea prices at the Mombasa Tea Auction in the recent past.. The average prices recorded in the Auction dropped to an all-time low of USD1.80. This is much lower compared to an average price of USD2.09 recorded during the same period last year and USD2.23 for the same period in the year 2019. This price is not only lower compared to the previous years but is also almost at par with the cost of production which currently stands at approximately USD1.70 and therefore not sustainable as farmers are now operating at a loss. It is important to note that the smallholder sub-sector, which accounts for 56% of the national production, is the most affected. The low tea price is a threat to the livelihoods of over 620,000 smallholder farmers and the country's socio-economic growth.

VII. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

High production has also been cited as one of the contributory factors for the decline in tea prices. In 2020 there was a record production of 569 Million Kgs compared to 458 Millions Kgs in 2019, representing an increase of 110 Million Kgs (24%). This huge increase created stocks of close to 50 Million Kgs. However, the indication for the current year is that production will significantly come down. Going by the production in the first five months of the year, which stood at 230 Million Kgs against 254 Million Kgs the same period in prior year, we are already 24 Million Kgs lower. In the remaining period, the industry projects a significant reduction in production to a level that will make it possible for the produce to be readily absorbed by the market. In view of this, we should now be realizing fairly improved tea prices than what is currently being recorded at the auction.

In the light of the current worrying trend of dipping prices and in order to secure the sustainability of the tea industry, the government has put in interventions necessary to cushion the producer prices.

This include amongst others, the setting up of a reserve price at the Auction based on the cost of production and diversification to Orthodox tea production. The government has also commenced the implementation of the reforms contained in the Tea Act, 2020 which are geared towards facilitating improved farmers' earnings as well as a competitive and sustainable tea sub-sector.

VIII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kabianga Tea farm exists to support the socio economic development of the County Government of Kericho. Its primary objective is to generate revenues to the county, create employment, and support several other stakeholders within the larger Kericho County.

i) Sustainability strategy.

Tea business is supported by good and reliable rainfall. As all the crop is rain fed, the farm has partnered with key stakeholders to ensure the environment is taken care of for sustainable operations. Key among these stakeholders are the schools, community based organizations, churches and the County Government of Kericho. One key area where the company has made interventions is the establishment of a tree nursery, that propagates tree seedlings. The trees at the nursery are sold at a subsidized price to enable more customers get access to tree seedlings. The tree seedlings being propagated are mostly indigenous. During the year, the farm made available 57,380 tree seedlings which were sold to the residents in order to preserve the environment.

ii) Environmental performance

The farm is registered under rainforest alliance and has strived to comply with all the requirements of Rainforest Alliance. The farm protects existing wild animals, has an inventory of all wild animals within its farm and protects existing ecosystems.

There are proper waste disposal sites, with good signage. Wastes are segregated between biodegradable and non-biodegradable. Indigenous trees are also planted along the water bodies and no farming is allowed within 50metres from the rivers/streams.

VIII ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

iii) **Employee welfare**

The company offers housing to some of its employees. The workers living quarters are kept good by painting regularly every 2 years. When hiring employees, equal opportunity is given to all on the basis of their qualifications and abilities for the work to be performed. No form of forced, compulsory and child labour is allowed. Further, in June 2021, Trainus Consultants

Limited undertook a risk assessment at the farm to ensure the farm complies with the set requirements as per OSHA Act 2007, and Rainforest Alliance Certification program. Towards this end, the farm has scheduled annual audits to ensure its operations and processes are meeting the statutory requirements and regulations. Workers are also trained continuously on chemical handling and are supplied with proper personal protective equipment.

iv) **Market place practices-**

a) Responsible competition practice.

The farm believes in vigorous yet fair competition and supports the development of appropriate competition laws. The farm treats all its suppliers and customers in a fair and balance manner and gives equal opportunities to all. The farm does not involve itself in any political activities and gives all political players equal treatment..

b) Responsible Supply chain and supplier relations

The farm has committed to establishing mutually beneficial relations with all its suppliers and business partners. In all our dealings the farm expects its suppliers to adhere to ethical business practises. No delay whatsoever for deliveries/supplies made shall be paid outside agreed credit periods.

VIII ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

v) Corporate Social Responsibility/Community Engagements.

The company has continued to support education in the community by employing two teachers at the neighbouring Kapmaso Primary school. This has enabled the school not to ask parents to pay PTA fees. The company has also employed 3 ECD teachers and provided classrooms to offer early childhood education within its premises.

The company continues to offer subsidized tree seedlings for sale to customers in an effort to support environmental conservation. Each tree seedling is sold at Ksh. 5.00 whereas the market price is Ksh. 10.00. During the year the company managed to sell approximately 57,380 seedlings to the community.

Further in the course of the year the farm bought uniforms and footballs to three teams namely; Kapchebet Football Club, Kapmaso Football Club and Chepkosilen football club.

IX. REPORT OF THE DIRECTORS

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

i) Principal activities

The principal activities of the Company continue to be harvesting and selling of green leaf tea.

ii) Results

The results of the Company for the year ended June 30, 2021 are set out on page 2.

iii) Dividends

Owing to the continued depressed prices and the farm's performance the Directors do not recommend the payment of dividends for the year.

iv) Directors

The members of the Board of Directors who served during the year are shown on page (vi).

v) 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 for the year ended June 30, 2021.

By Order of the Board

OS. Joice Kulel

Name



Signature

12/04/2022

Date

Corporate Secretary/Secretary to the Board

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *Company's* financial statements, which give a true and fair view of the state of affairs of the *Company* for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company; (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 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.

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors are of the opinion that the *Company's* financial statements give a true and fair view of the state of the *Company's* transactions during the financial year ended June 30, 2021, and of the *Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Company*, which have been relied upon in the preparation of the *Company's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the *Company* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *Company's* financial statements were approved by the Board on 02/09/ 2021 and signed on its behalf by:



Signature

Name *Nicholas Kimani*

Chairperson of the Board.



Signature

Name *DAVID SAWE*

Chief Executive Officer.

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KABIANGA TEA FARM COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kabianga Tea Farm Company Limited set out on pages 2 to 49, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison

Report of the Auditor-General on Kabianga Tea Farm Company Limited for the year ended 30 June, 2021

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kabianga Tea Farm Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Companies Act, 2015 and the public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non Compliance with Public Sector Accounting Standards Guidelines

The Public Sector Accounting Standards Board guidelines on preparation of financial statements requires inclusion of statement of performance against pre-determined objectives in the financial statements. However, the statement was not included in the financial statements submitted for audit. Further, the template requires inclusion of photographs of the Directors and members of the Management in the financial statements. However, the same was not included in the financial statements under review.

In the circumstances, the financial statements did not comply with the reporting template as required.

2. Non-Valuation of Assets

The statement of financial position and as disclosed in Note 14 reflects property, plant and equipment balance of Kshs.45,306,168. However, review of the fixed assets register revealed that seven (7) assets having total cost of Kshs. 11,658,486 were depreciated to zero net book value but still in use as at 30 June, 2021.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.45,306,168 could not be confirmed.

3. Unreconciled Other Payables

The statement of financial position and as disclosed in Note 24 to the financial statements reflects trade and other payables balance of Kshs.3,711,547 which includes a balance of Kshs.2,669,886 for other payables (payroll). However, the ledger and supporting schedules reflected balances of Kshs.2,385,801 and Kshs.2,240,502 respectively resulting to an unreconciled variances between the three (3) records.

In the circumstances, the accuracy and completeness of other payables (payroll) balance of Kshs.2,669,886 could not be confirmed.

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

Key Audit Matters

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

Other matter

1. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.58,667,077 and Kshs.49,529,622 respectively resulting to a revenue shortfall of Kshs.9,159,595 or 16% of the budget. Similarly, the Management expended Kshs.49,530,197 against an approved budget of Kshs.57,581,549 resulting to an under-expenditure of Kshs.8,051,352 or 14% of the budget.

The revenue shortfall and under-expenditure affected the Company's planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

Several prior year audit issues remained unresolved as at 30 June, 2021. However, the Management has not provided reasons for the delay in resolving the prior year audit issues. Further, not all prior year issues were disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

Other Information

The Management is responsible for the other information, which comprises, the Chairman's Report, Chief Executive Officer report, the statement of corporate governance, management discussions and responsibilities, statement of corporate social responsibility and the statement of Directors' responsibilities.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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 (Accrual Basis) 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 controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 controls 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 Company 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 controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 September, 2022

XII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**FOR THE YEAR ENDED 30 JUNE 2021.**

	Note	2020-2021	2019-2020
		Kshs	Kshs
REVENUES			
Revenue from Green Leaf	6	47,392,756	46,664,479
Cost of sales	7	(23,951,489)	(25,176,532)
Gross profit		23,441,267	21,487,947
Other Income			
Interest Income		5,425	2,424
Other Income	8	2,131,441	1,187,886
TOTAL REVENUES		25,578,133	22,678,258
OPERATING EXPENSES			
Administration Costs	9 (a)	10,908,676	9,550,590
Staff costs	9 (b)	14,718,030	15,843,488
TOTAL OPERATING EXPENSES		25,626,707	25,394,078
PROFIT/(LOSS) BEFORE TAXATION		(48,574)	(2,715,820)
INCOME TAX EXPENSE/(CREDIT)	11	(135,320)	109,736
PROFIT/(LOSS) AFTER TAXATION		(183,894)	(2,606,084)
Earnings per share – basic and diluted	12	-	-
Dividend per share	13	-	-
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation			
Surplus or deficit on revaluation of PPE			
Remeasurement of net defined benefit liability			
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(183,894)	(2,606,084)

XIII STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	45,306,168	46,719,710
Intangible assets	15	-	175,000
Biological Assets	14	37,540,000	37,540,000
Staff Receivables due after one year	17(c)	19,043	31,580
Total Non-Current Assets		82,865,211	84,466,290
Current Assets			
Inventories	16	983,025	569,622
Trade and other receivables	17(a)	4,830,242	4,329,136
Tax recoverable	18	531,680	389,115
Bank and cash balances	19	1,723,547	1,629,890
Total Current Assets		8,068,494	6,917,763
Total Assets		90,933,705	91,384,050
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	20	100,000	100,000
Revaluation reserve	21	78,423,502	78,423,502
Fair value adjustment reserve	22	-	-
Retained earnings	23	8,481,109	8,665,003
Proposed dividends			
Capital and Reserves		87,004,611	87,188,505
Non-Current Liabilities			
Current Liabilities			
Trade and other payables	24	3,711,547	3,926,970
Provisions	26	217,547	268,575
Tax payable			-
Total Current Liabilities		3,929,094	4,195,545
TOTAL EQUITY AND LIABILITIES		90,933,705	91,384,050

Kabianga Tea Farm
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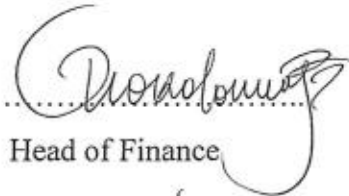
The financial statements were approved by the Board on 02/09/ 2021 and signed on its behalf by:



C.E.O.

DAVID SANYAL

Name:

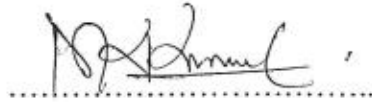


Head of Finance

Bernard Kise

Name:

ICPAK M/NO: 14339



Chairman of the Board

Name

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XII. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	not es	Ordinary share capital	Revaluation reserve	Fair value adjustmen t reserve	Retained earnings	Proposed dividends	Capital/ Developmen t Grants/Fund	Total
As at July 1, 2019		100,000	79,411,411	-	10,283,479	-	-	89,794,590
New capital issued		-						-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	(987,609)	-	987,609	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(2,606,084)	-	-	(2,606,084)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2020		100,000	78,423,502	-	8,665,003	-	-	87,188,505

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	not es	Ordinary share capital	Revaluation reserve	Fair value adjustmen t reserve	Retained earnings	Proposed dividends	Capital/ Developmen t Grants/Fund	Total
As at July 1, 2020		100,000	78,423,502	-	8,665,003	-	-	87,188,505
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(183,894)	-	-	(183,894)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2021		100,000	78,423,502		8,481,109	-	-	87,004,611

XIII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM/(USED IN) OPERATIONS	27	371,542	1,059,119
Interest received			-
Interest paid			-
Dividends paid			-
Taxation paid		(277,885)	-
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		93,657	1,059,119
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment			-
Proceeds from disposal of property, plant and equipment			-
Purchase of intangible assets			-
Purchase of investment property			-
Purchase of quoted investments			-
Proceeds from disposal of quoted investments			-
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of new share capital		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		-	-
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		93,657	1,059,119
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,629,890	570,771
Effects of foreign exchanges rate fluctuations		-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,723,547	1,629,890

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

	Original budget 2020-2021	Adjustments 2020-2021	Final budget 2020-2021	Actual on comparable basis 2020-2021	Performance difference 2020-2021	% of utilisation 2020-2021
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Green Leaf Volume (kgs)	2,200,000		2,200,000	1,937,587.75	(262,412)	-11.9%
Sales of green leaf tea	57,922,077		57,922,077	47,392,756	(10,529,321)	-18.1%
Other Income	745,000		745,000	2,136,866	1,369,726	183%
Total income	58,667,077		58,667,077	49,529,622	(9,159,595)	
Costs & Expenses						
Plucking	22,000,000		22,000,000	19,450,044	2,549,956	11.6 %
Fertilizer	4,852,112		4,852,112	2,334,754	2,517,358	51.8 %
Weeding	1,587,096		1,587,096	1,218,173	368,923	23.2 %
Costs-Nursery Unit	636,700		636,700	202,300	434,400	68.2 %
Pruning	656,760		656,760	746,218	(89,457)	-13.6 %
Staff Costs	16,372,551		16,372,551	14,718,030	1,741,221	10.6 %
General Overheads	1,209,400		1,209,400	2,278,545	(1,069,145)	88.0 %
Repairs & Maintenance	989,250		989,250	572,389	416,861	42.1%
Vehicle Expenses	2,143,630		2,143,630	2,410,473	(266,843)	-12.4 %
Administration Expenses	7,134,050		7,134,050	5,647,268	1,448,082	20.2 %
Totals- Costs & Expenses	57,581,549		57,581,549	49,530,197	8,051,352	13.9 %
Surplus for the period	1,086,028		1,086,028	(48,572)		

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

	Performance difference 2020-2021	% of utilisation 2020-2021	Explanations on Performance difference exceeding 10%
Revenue	Kshs	Xxx%	2020-2021
Green Leaf Volume (kgs)	(262,412)	-11.9%	Hail damage in the Month of September & October 2020 led to an estimated crop loss of approx 150,000 kgs
Sales of green leaf tea	(10,529,321)	-18.1%	Hail damage led to crop loss. Average price of green leaf tea offered came down to 23 from Estimated Ksh 26/kg
Other Income	1,369,726	183%	Heavy storms in October 2020, felled down and damaged several trees. The felled trees brought down by storms later sold.
Plucking	2,549,956	11.6 %	Due to crop loss due to hail damage, the expenses relating to plucking of the crop not incurred.
Fertilizer	2,517,358	51.8 %	Fertilizer procured was fewer –budgeted for 1700 bags and procured only 1316 bags.
Weeding	368,923	23.2 %	Extensive use of herbicides and less of manual weeding led to this positive variance.
Costs-Nursery Unit	434,400	68.2 %	Most of the seedlings propagated at the Nursery were not ready for sale during the long rains of April/May. No new materials procured/No propagation done.
Pruning	(89,457)	-13.6 %	Pruning delayed in 2019/20 done within the year. The delayed had been occasioned by low revenues.
Staff Costs	1,741,221	10.6 %	Some employees left service and were yet to be replaced due to natural attrition
General Overheads	(1,069,145)	88.0 %	Depreciation of 1,588,539 not factored in budget as budget is cash basis.
Repairs & Maintenance	416,861	42.1%	The tractor was grounded for most of the year.
Vehicle Expenses	(266,843)	-12.4 %	Change of processing factory from Changoi to Sotik
Administration Expenses	1,448,082	20.2 %	Electricity costs related to pumping water to neighboring community not incurred as the hostels for students were not occupied

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kabianga Tea Farm is established by and derives its authority and accountability from the Kericho County Kabianga Tea Farm Act, 2021. The Company is wholly owned by the County Government of Kericho, and is domiciled in Kenya. The Company's principal activity is harvesting of green leaf tea.

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.

2. 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 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 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the year presented.

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

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

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

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Title	Description	Effective Date
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an Company, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an Company's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

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

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

iii. Early adoption of standards

The Company did not early – adopt any new or amended standards in year 2020/2021

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. 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 measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

- i) **Revenue from the sale of goods and services** is recognised 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 recognised in the year in which the *Company* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) **Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) In-kind contributions

In-kind contributions are donations that are made to the *Company* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *Company* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) 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.

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognised 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Freehold Land	Nil
Buildings and civil works	20 years or the unexpired lease period
Plant and machinery	10 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	4 years
Office equipment, furniture and fittings	8 years

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

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) 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.

j) 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.

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

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

m) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

n) 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 Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income.

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

o) 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Company and the same taxation authority.

p) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

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

r) 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.

s) 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.

t) Retirement benefit obligations

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Company operates a defined contribution scheme for all full-time employees from November 1, 2017. The scheme is administered by LAPFUND 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 6% of the employees earnings for both the employees and the employer capped at gross earnings of Ksh. 18,000.00 per employee per month.

u) Provision for staff leave pay

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

v) 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 recognised in profit or loss.

w) Budget information

The original budget for FY 2020-2021 was approved by the board on 31st July 2020.

The Company'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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

i) Service concession arrangements

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

ii) Comparative figures

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

iii) Subsequent events

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company 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 Company. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Company
- 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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

c) Provisions

Provisions were raised and management determined an estimate based on the information available. 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.

6. Revenue – Green Leaf

	2020/2021	2019/2020
	Kgs/Kshs	Kgs/Kshs
Volume of Green leaf		
Evergreen Factory	1,634,122.75	-
Williamson Tea	180,995	771,965.00
Kapchebet Tea	86,385	367,804.30
Unilever Tea Plc	36,085	828,379.00
Total Volume (Kgs)	1,937,587.75	1,968,148.30
Revenues		
Evergreen Factory	38,724,384.00	-
Williamson Tea	5,230,755.50	22,722,557.05
Kapchebet Tea	1,580,116.80	7,082,088.40
Unilever Tea Plc	1,769,832.90	16,859,834.45
Kaisugu Limited**	87,667.00	-
Total Gross Sales of Green Leaf Tea(Ksh)	47,392,756.50	46,664,479.90

- Revenues from Kasugu Limited arose from Duka Moja farm the KEWASCO site where water works is being undertaken. The crop at the site covers approximately 2.5 acres and is yet to be uprooted for the development of infrastructure at the site. Kaisugu limited is managing all farm operations till the crop is uprooted for development of the site. Only net income is recognized.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

7. Cost of Sales

	2020/2021	2019/2020
	Kshs	Kshs
Plucking	19,450,044.00	20,359,948.00
Fertilizer	2,334,754.35	3,028,376.50
Weeding	1,218,173.50	1,226,023.65
Nursery Unit	202,300.00	273,873.00
Pruning	746,218.00	248,311.50
Total	23,951,489.85	25,176,532.65

8. Other Income

	2020/2021	2019/2020
Description	Kshs	Kshs
Water	3,500.00	49,700.00
Rent	163,500.00	309,500.00
Tea Plants(Nursery)	201,750.00	403,400.00
Tree Plants(Nursery)	286,895.00	399,130.00
Mature Trees**	1,419,500.00	-
Other miscellaneous receipts	56,296.26	26,156.80
Total	2,131,441.26	1,187,886.80

- There was a huge storm in the month of September 2020 which felled and damaged several mature trees around the farm. These damaged trees were disposed off.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

9. (a) Administration Costs

	2020/2021	2019/2020
Description	Kshs	Kshs
Directors' emoluments	2,184,010.00	1,579,020.00
Electricity and water	423,189.80	553,038.18
Communication services and supplies	173,097.00	188,234.00
Transportation, travelling and subsistence	232,960.00	33,650.00
Advertising, printing, stationery and photocopying	186,574.00	56,765.00
Fuel	1,785,668.70	938,885.20
Training expenses	1,370,150.00	11,200.00
Hospitality supplies and services	253,857.00	126,269.00
Insurance costs	288,060.00	350,172.10
Bank charges and commissions	44,415.00	51,953.75
Office and general supplies and services	279,821.90	169,356.00
Auditors' remuneration	125,000.00	110,000.00
Consultancy fees		95,000.00
Licenses and permits	86,134.00	72,200.00
Repairs and maintenance	1,197,194.00	903,345.90
Provision for bad and doubtful debts	-	100,000.00
Depreciation	1,413,538.80	3,572,513.80
Amortization	175,000.00	175,000.00
Other operating expenses	690,006.00	463,987.15
Total	10,908,676.20	9,550,590.08

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 (b) Staff Costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Salaries and allowances of permanent employees	8,438,244.00	9,763,415.00
Wages of temporary employees	3,170,274.10	2,682,127.50
Medical insurance schemes	-	-
Employer's contributions to national social security schemes	1,555,145.00	1,609,328.00
Employer's contributions to pension scheme	1,054,046.00	1,245,240.00
Leave pay	413,621.50	478,665.00
Staff welfare	86,700.00	64,713.00
Total	14,718,030.75	15,843,488.50
The average number of employees at the end of the year was:		
Permanent employees – Management	5	6
Permanent employees – Unionisable	74	75
Temporary and contracted employees	415	360
Total	494	441

10. Operating profit/ (loss)

	2020/2021	2019/2020
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 10 b)	14,718,030.77	15,843,488.50
Depreciation of property, plant and equipment	1,413,539.00	3,572,513.85
Amortisation of intangible assets	175,000.00	175,000.00
Provision for bad and doubtful debts	-	100,000.00
Directors' emoluments – fees	1,940,500.00	1,355,980.00
- other	243,510.00	223,040.00
Auditors' remuneration - current year fees	125,000.00	110,000.00
- prior year under-provision	-	-
Rent receivable	(163,500.00)	(309,500.00)
Total	18,452,079.75	21,070,522.35

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Income Tax Expense/(Credit)

(a) Current taxation

	2020/2021	2019/2020
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	135,320.00	(109,736.24)
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	135,320.00	(109,736.24)

(b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2020/2021	2019/2020
	Kshs	Kshs
Profit before taxation	(48,574.28)	(2,715,820.70)
Tax at the applicable tax rate of 30%	(14,572.28)	(814,746.20)
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	14,691.60	70,029.50
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	135,200.70	634,980.45
Deferred tax prior year over-provision	-	-
Total	135,320.00	(109,736.24)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs.143,078(2019-2020: Kshs.(2,606,084.45) by the average number of ordinary shares in issue during the year of 5,000 (2019-2020: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

13. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2021, no dividends are proposed in respect of the year ended June 30, 2021. (2019/20 – Nil).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Property, Plant and Equipment

2021	Freehold land	Biological Assets	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION								
At July 1, 2020	44,760,000	37,540,000	26,638,934	4,760,098	21,235,309	708,354	651,037	136,293,733
Additions								
Transfers								
Disposals								
At June 30, 2021	44,760,000	37,540,000	26,638,934	4,760,098	21,235,309	708,354	651,037	136,293,733
DEPRECIATION								
At July 1, 2020			26,589,520	4,547,938	20,004,896	616,354	275,315	52,034,023
Charge for the year			22,322	39,660	1,230,413	46,000	75,145	1,413,539
Impairment loss								
Eliminated on disposal								
At June 30, 2021			26,611,842	4,587,598	21,235,309	662,354	350,460	53,447,562
NET BOOK VALUE At June 30, 2021	44,760,000	37,540,000	27,092	172,500	-	46,000	300,577	82,846,164

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Property, Plant and Equipment (Continued)

2020	Freehold land	Biological Assets	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION								
At July 1, 2019	44,760,000	37,540,000	26,638,934	4,760,098	21,235,309	708,354	651,037	136,293,733
Additions								
Transfers								
Disposals								
At June 30, 2020	44,760,000	37,540,000	26,638,934	4,760,098	21,235,309	708,354	651,037	136,293,733
DEPRECIATION								
At July 1, 2019			25,257,575	4,508,278	17,925,134	570,354	200,169	48,461,510
Charge for the year			1,331,947	39,660	2,079,768	46,000	75,145	3,572,513
Impairment loss								
Eliminated on disposal								
At June 30, 2020			26,589,520	4,547,938	20,004,902	616,354	275,315	52,034,028
NET BOOK VALUE At June 30, 2020	44,760,000	37,540,000	49,415	212,160	1,230,413	92,000	375,724	84,259,704

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Land and buildings were valued by Kinyua Koech Limited, Registered valuers on the basis of open market valuation on 5th July 2000. These amounts were adopted on 5th July 2000. The revaluation surplus was credited to revaluation reserve.

Property plant and Equipment includes the following assets that are fully depreciated:

		Normal
		annual
	Cost or	depreciation
	valuation	charge
Buildings	26,192,500.00	1,309,625.00
Plant and machinery	4,363,498.00	436,350.00
Motor vehicles, including motor cycles	21,235,309.00	5,308,827.00
Computers and related equipment	524,354.00	131,088.50
Office equipment, furniture and fittings	49,880.35	6,235.00
Total	52,365,541.35	7,192,125.50

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Intangible Assets

	2020/2021	2019/2020
	Kshs	Kshs
COST		
At July 1	700,000.00	700,000.00
Additions	-	-
Disposals	-	-
At June 30	700,000.00	700,000.00
AMORTISATION		
At July 1	525,000.00	350,000.00
Charge for the year	175,000.00	175,000.00
Disposals		
Impairment loss		
At June 30	700,000.00	525,000.00
NET BOOK VALUE		
At June 30	-	175,000.00

16. Inventories

	2020/2021	2019/2020
	Kshs	Kshs
Nurseries	983,025.00	569,622.00
Total	983,025.00	569,622.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. (a) Trade and Other Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Trade receivables (note 17 (b))	5,667,910	5,448,521
Staff receivables (note 17 (c))	415,825	428,076
Kipkelion Coffee Farm	281,431	-
Other receivables	574,005	574,005
Gross trade and other receivables	6,939,171	6,450,602
Provision for bad and doubtful receivable	(2,089,886)	(2,089,886)
Net trade and other receivables	4,849,285	4,360,716
Amounts due after one year (17 (c))	(19,043)	(31,580)
Amounts Due Within one year	4,830,242	4,329,136

17 (b) Trade Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Gross trade receivables	5,667,910	5,448,521
Provision for doubtful receivables	(1,279,610)	(1,188,209)
Net trade receivables	4,388,300	4,260,312
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	4,308,603	3,295,168
Between 30 and 60 days	-	81,047
Between 61 and 90 days	11,500	244,990
Between 91 and 120 days	11,500	465,882
Over 120 days	1,336,306	1,361,432
Total	5,667,910	5,448,521

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of Impairment Allowance for Trade Receivables

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	1,188,209	1,138,209
Additional provisions during the year	91,401	50,000
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	1,279,610	1,188,209

17 (c) Staff Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Gross staff loans and advances	415,825	428,076
Other Receivables	574,005	574,005
Gross Staff & Other Receivables	989,830	1,002,081
Provision for impairment loss	(810,276)	(901,677)
Net staff loans/Advances	179,554	100,404
Less: Amounts due within one year	(160,511)	(68,824)
Amounts due after one year	19,043	31,580

17 (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	901,677	851,677
Additional provisions during the year	(91,401)	50,000
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	810,276	901,677

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Tax Recoverable

	2020/2021	2019/2020
	Kshs	Kshs
At beginning of the year	389,115	279,379.10
Income tax charge for the year (note 11 (b))	(135,320)	109,736.24
Under/(over) provision in prior year/s		-
Income tax paid during the year	277,885	-
At end of the year	531,680	389,115.24

19. Bank and Cash Balances.

	2020/2021	2019/2020
	Kshs	Kshs
Cash at bank	1,691,518	1,622,375.23
Cash in hand	32,028	7,514.85
Totals	1,723,547	1,629,890.08

The bulk of cash was held at cooperative bank of Kenya Ltd – the Company's main bankers.

Detailed analysis of the cash and cash equivalents

		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
a) Current accounts			
KCB Bank Ltd	1118952898	5,608.00	5,379.00
Cooperative Bank	01136053920600	1,685,910.83	1,616,996.23
Sub- total		1,691,518.83	1,622,375.23
b) Others(specify)			
Cash in transit			
Cash in hand		32,028.35	7,514.00
Sub- total		32,068.00	7,154.00
Grand total		1,723,547.18	1,629,890.08

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Ordinary Share Capital

	2020/2021	2019/2020
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of KShs 20 par value each	100,000.00	100,000.00
Issued and fully paid:		
5,000 ordinary shares of KShs 20 par value each	100,000.00	100,000.00

21. 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.

22. 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.

23. Retained Earnings

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Trade & Other Payables.

	2020/2021	2019/2020
	Kshs	Kshs
Trade payables	545,618.10	1,029,649.29
Accrued expenses	496,044.10	292,802.60
Other payables(Payroll)	2,669,885.86	2,604,518.45
	3,711,547.86	3,926,970.34
	=====	=====

25. Retirement Benefit Obligations

The company operates a defined contribution scheme for all permanent employees from November 1, 2017. The scheme is administered by LAPFUND and is funded by contributions from both the company and the employee. The Employers contribution is 15% whereas the employees contribution is 7.5 %. 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 6% of the employees earnings capped at a maximum of Ksh. 18,000.00 per month. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

26. Provisions.

	2019-2020	2019-2020
	Kshs	Kshs
Balance at beginning of the year	268,575	136,170
Additional provision at end of year	(51,026)	132,405
Leave paid out or utilized during the year		
Balance at end of the year	217,547	268,575
	=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Notes to The Statement of Cash Flows

	2020-2021	2019-2020
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or (loss) before tax	(48,574.28)	(2,715,820.00)
Depreciation	1,413,539.00	3,572,513.00
Amortisation	175,000.00	175,000.00
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	1,539,964.72	1,031,693.00
(Increase)/decrease in inventories	(413,403)	1,594,915.00
(Increase)/decrease in trade and other receivables	(488,569.14)	1,551,710.00
Increase/(decrease) in trade and other payables	(215,422.48)	(3,251,606.00)
Increase/(decrease) in retirement benefit obligations		
Increase/(decrease) in provision for staff leave pay	(51,028.00)	132,405.00
Cash generated from/(used in) operations	371,542.10	1,059,118.00
(b) Analysis of cash and cash equivalents		
Short term deposits		-
Cash at bank	1,691,518.83	1,622,375.00
Cash in hand	32,028.35	7,514.00
Balance at end of the year	1,723,547.18	1,629,890.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Related Party Disclosures

The County Government of Kericho the principal shareholder of the *Company*, holding 100% of the *Company's* equity interest..

Other related parties include:

- i) The Department of Agriculture , Livestock & Fisheries Development.
- ii) Kipkelion Coffee Farm
- iii) Key management
- iv) Board of directors

Transactions with related parties

	2020-2021	2019-2020
	Kshs	Kshs
a) Purchases from related parties		
Purchases of electricity from KPLC	446,362.00	563,411.60
Training and conference fees paid to govt. agencies	90,000.00	-
Total	536,362.00	563,411.60
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for 18 employees- Kipkelion Coffee Farm	532,435	-
Payments for goods and services for Kipkelion Coffee farm	147,816	-
Total	680,251	-
c) Key management compensation		
Directors' emoluments	2,184,010.00	1,579,020.00
Compensation to key management	2,762,780.00	2,745,840.00
Total	4,946,790.00	4,324,860.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Financial Risk Management

The Company'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 Company 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 Company'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)

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 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 Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company 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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	298,619	157,730	231,226	545,618
Total	298,619	157,730	231,226	545,618
At 30 June 2020				
Trade payables	756,095	80	273,473	1,029,649
Total	756,095	80	273,473	1,029,649

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company 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 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 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 Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Company has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

b) Interest rate risk.

Interest rate risk is the risk that the Company'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. The company held no deposits as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	78,423,502	78,423,502
Retained earnings	8,449,208	8,665,003
Capital reserve	100,000	100,000
Total funds	87,022,710	87,188,505
Total borrowings	-	-
Less: cash and bank balances	(1,723,547)	(1,629,890)
Net debt/(excess cash and cash equivalents)	85,299,163	85,558,615
Gearing		

30. Incorporation

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

31. Events After The Reporting Period.

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

32. Currency

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

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APPENDICES

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.1	Lack of Strategic Plan	The board to engage a consultant to draw a plan	Not Resolved	30/06/2022
4.2	Composition of the Board of Directors	County Legal Office working on a bill to regularize	Resolved	
4.6	Valuation of Assets	To Liase with the Dept. for the valuation exercise to be undertaken	Not Resolved	31/06/2022

Name

DAVID SAWE

Chief Executive Officer

Signature



Date

12/06/2022

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APPENDIX II: INTER-COMPANY TRANSFERS

COMPANY NAME:		KABIANGA TEA FARM CO. LTD.	
Break down of Transfers to Kipkelion Coffee Farm - Operations			
FY 2020/21			
a.	Recurrent Grants	Amount (KShs)	
	-Coffee picking	81,115.00	Amounts paid directly to casuals
	-Subsistence Allowances	52,500.00	Amounts paid directly to officers
	-Repairs/others	147,816	Amounts paid directly for services/goods supplied
	Total	281,431.00	

The above amounts have been communicated to and reconciled with the Company.

Finance Officer
Kabianga Tea Farm

Sub County Agricultural Officer
Kipkelion West.

Sign *[Signature]* Date 20/08/2021

Sign *[Signature]* Date 20/08/2021

