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REPORT

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THE AUDITOR-GENERAL

ON

KIPCHABO TEA FACTORY

**FOR THE YEAR ENDED
30 JUNE, 2023**



OFFICE OF THE AUDITOR GENERAL
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**KIPCHABO TEA FACTORY
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

Prepared in accordance with the International Financial Reporting Standards (IFRS)

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1. Acronyms and Glossary of Terms

The acronyms and glossary of terms used in the annual report and financial statements are as below.

IFRS	International Financial Reporting Standards
MD	Managing Director
KTF	Kipchabo Tea Factory
CSR	Corporate Social Responsibility.
NTZDC	Nyayo Tea Zones Development Corporation

2. KEY ENTITY INFORMATION

a) Background Information.

Kipchabo Tea Factory Limited is a fully owned subsidiary of Nyayo Tea Zones Development Corporation (NTZDC) established under the Companies Act of Kenya. The Factory is the first tea processing factory to be established by the Nyayo Tea Zones Development Corporation to process green leaf tea into made tea. The Nyayo Tea Zones Development Corporation was established as a state corporation under legal notice 265 of 1986 which was later revised in March 2002 to, in consultation with the Chief Conservator of Forests, create tea and fuelwood growing zones to act as buffers around gazetted forests and gazetted trust land forests. Part of the corporation's mandate is to establish, manage and maintain tea processing factories and process tea. Kipchabo Tea Factory was thus established in fulfillment of this mandate.

b) Principal Activities.

The principal activity of the factory is to process Green Leaf tea from the Corporation's catchment zones and contracted out-growers into Made Tea. The bulk of manufactured tea is sold through the Mombasa Tea Auction while small quantities are sold in the local market.

c) Location

Kipchabo Tea Factory is located 15kms Southwest of Kapsabet town. It is 2210 meters above sea level. Its Latitude is 0° 12' 0" North and Longitude is 35° 6' 0" East. - Kaptel/Kamoiywo Ward, Chesumei Subcounty, Kombe Location, Kombe sublocation.

d) MISSION

"Establish and maintain gazetted forest buffer belts and produce eco-friendly, quality products to the satisfaction of all our stakeholders"

e) VISION

"Transforming livelihoods to inspire sustainable forest conservation".

f) CORE VALUES

Integrity, Professionalism, Teamwork, Commitment and Respect for others.

g) DIRECTORS

The Directors who served Kipchabo Tea Factory during the period were as follows: -

Ms. Hellen Nangithia - Chairperson - Appointed in July 2022 (Left 30th March 2023)

Mr. Joseph Gitonga M'Limbiine - Chairperson - Appointed in April 2023

Mr. Peter K. Korir - Director - Appointed in November 2012

h) Legal Officer,

Irene Kamanda,
Kenyatta Avenue,
P.O. Box 48552 - 00100,
NAIROBI.

i) Registered Office:

Nyayo House - 11th Floor,
Kenyatta Avenue,
P.O. Box 48552 – 00100,
NAIROBI.

j) Corporate Headquarters:

P.O Box 48552 – 00100
Nyayo House-11Floor
Kenyatta Avenue
Nairobi, Kenya.

k) Corporate Contacts

Telephone: (254) 2217489,
E-mail: info@teazones.co.ke
Website: www.teazones.ke

l) Corporate Bankers:

Kenya Commercial Bank Ltd
Kipande House Branch
P.O. Box 30012
NAIROBI.

Stanbic Bank Kenya Ltd,
Kenyatta Avenue,
P.O. Box 30550 – 00100,
NAIROBI.




m) Independent Auditors:

Auditor-General,
The Office of the Auditor General,
Anniversary Towers University Way,
P.O. Box 30084-00100 GPO,
NAIROBI – KENYA.






n) Principal Legal Advisers

The Attorney General,
State Law Office,
Harambee Avenue,
P.O. Box 40112,
City Square 00200,
NAIROBI - KENYA

3. The Board of Directors

1	 <p>Hellen Nangithia Chairperson - Board of Directors</p>	<p>Madam Hellen Nangithia was born in 1962. She was appointed as an Independent Board Chair NTZDC in July 2022 and her term ended in April 2023. She had served in various senior-level positions in Government including Principal St. Angela's Girls Secondary School, Meru County Government as a CEC public service administration, CEC Education and Technology, and Kenya Bureau of Standards (Member of National Standards Council).</p> <p>Madam Hellen held a degree in B.E.D Arts from Kenyatta University and had over 27 years progressive work in education and senior-level management in various government institutions.</p>
2	 <p>Joseph Gitonga M'Limbiine Chairman - Board of Directors</p>	<p>Mr. Joseph Gitonga M'Limbiine born on 15/11/1971. He was appointed as an Independent Board Chair NTZDC in April 2023. He has previously served in various government Boards between 2013 and 2022 - notably Pwani University, Kisii University, NTSA and JKUAT. Mr. M'Limbiine is a lawyer by profession with over 25 years post-admission experience in the legal practice. He is currently a Senior Partner at the law firm of M'limbiine and Mungai Advocates. Mr. M'ILmbiine holds an MBA in Strategic Management and a Bachelor of Laws from the University of Nairobi and a post graduate Diploma from Kenya School of Law. He is an Advocate of the High Court of Kenya and a Certified Public Secretary. He has worked at EACC, Attorney General's office, High Court Judges Tribunal and the Judges and Magistrates Vetting Board as the Assisting Counsel. He brings a lot of experience in corporate governance and law.</p>
3	 <p>Peter K. Korir – Managing Director</p>	<p>Mr. Peter Korir was born on 13/12/1969. He joined the board as an Executive Director in November 2012. He holds a Bachelor of Science degree in Mathematics from Egerton University and MBA (Strategic Management) from University of Nairobi. He is also a graduate of IESE Business school in Advanced Management. He has over 26 years' experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p>

4. Key Management Team

1	 <p>Peter K. Korir – Managing Director</p>	<p>Mr. Peter Korir was born on 13/12/1969. He joined the board as an Executive Director in November 2012. He holds a Bachelor of Science degree in Mathematics from Egerton University and MBA (Strategic Management) from University of Nairobi. He is also a graduate of IESE Business school in Advanced Management. He has over 26 years' experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p>
2	 <p>Samuel Njire – Head of Finance</p>	<p>Mr Samuel Njire joined the corporation in 2009 and is the Head of Finance. He holds a Bachelor of Commerce (Accounting) and MBA (Finance) degrees both from University of Nairobi. He is also a certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) – Membership No. 6527. He is responsible for overall financial stewardship of the corporation. He has over 31 years' experience in finance in both public and private institutions</p>
3	 <p>Charles Mucheke – Head of Operations</p>	<p>Mr Charles Mucheke joined the Corporation in 2005 and is the Head of Operations. He holds a Bachelor of Science (Agriculture) and MBA (Operations Management) degrees both from University of Nairobi. He is responsible for all agronomy operations in the Corporation. Prior to joining the Corporation, he worked with KTDA and has over 30 years' experience in the tea industry.</p>
4	 <p>William Togom – Head of Human Resource and Administration</p>	<p>Mr Togom joined the corporation in 2003 and is the head of human resources and administration. He holds a Bachelor of Arts degree in Anthropology. He also holds a Diploma in Human Resource Management from Kenya Institute of management (KIM). He is a member of Human Resource Management Institute of Kenya – Membership No. 03386. He has over 26 years' experience in human resource and administration.</p>
5	 <p>David Chepkwony- Head of Commercial</p>	<p>Mr. Chepkwony joined the corporation in 2014 as head of commercial unit. He holds a Bachelor of Commerce degree in Marketing. Prior to joining the Corporation, he worked with Ketepa, Del Monte Kenya Ltd, Reckitt Benckiser EA Ltd & Unilever Kenya Ltd and has over 24 years' experience in sales and marketing.</p>

5. Chairman's Statement

I am pleased to present to you the Annual Report and financial statements of Kipchabo Tea Factory Limited for the year ended 30 June 2023. The Factory is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation.

The Company reported a growth in the year with pretax profit increasing from Ksh. 1.5 million in 2021/2022 to a profit of Ksh. 17.6M in 2022/2023. This is attributed to reduction on costs and favorable exchange rates. There was a slight decrement of Volumes of green leaf received in the year compared to 2021/2022.

The investments made in the previous years in form of machinery and equipment helped the Company to optimize capacity utilization and increase efficiency.

In the current financial year green leaf intake from our farms and out growers amounted to 21.9 million kgs. The Company's strategy is to enhance value addition which will increase our revenues and transfer the benefit to our farmers and communities in the Factory catchment. We have aligned our strategy to enhance the achievement of the BeTA pillars of manufacturing, food security and nutrition.

During the year, the Company initiated programs to empower farmers and communities in the catchment in form of access to tree seedlings. This initiative will help increase trees planted and environmental conservation and in the long run improve the standards of living for the community. We also work closely with the County government in improvement of access roads in the past year.

Our tea brands continued to grow in the local market despite stiff competition and we expect to gain larger market share due to the high quality of our tea. Our sales volumes in the domestic market was maintained.

I extend my gratitude for the invaluable support given by the Board of Directors, management and staff and the Government for being committed to the Company's affairs. I also take this opportunity to appreciate our esteemed customers without who we could not have gone this far.


CHAIRMAN

Date..... 29/09/2023

6. Report of the Managing Director

General

I present to you the Annual Report and financial statements of Kipchabo Tea Factory Limited for the year ended 30 June 2023. The Factory is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation.

Financial Results

During the year volumes of processed tea sold decreased by 8% to 4.2million Kgs compared to 4.8 million Kgs in the previous year. Revenues increased by 15% to Ksh 1.082 billion which was mainly attributed favourable exchange rates. Overall, the company recorded profit of Ksh17.6 million compared to Ksh. 1.5 million recorded in the previous year.

Operations

Total green leaf received by the factory was 21.9 million Kgs which is slightly lower compared to 22.7 million Kgs in the previous year. Out of the total green leaf received, out-growers contribution was 11 million Kgs which is 51% while the rest was collected from Nyayo Tea Zones factory catchment namely Nandi North, Nandi South and Kakamega.

One of the challenges in 2022/2023 Financial year was poor roads in the catchment which made our staff to go beyond the working hours for the plucked green leaf had to be delivered to the factory. Transportation of our made tea to Chai Trading warehouse in Mombasa was also affected.

The Corporation is working closely with the various County Government regarding road repairs in the catchment zones. We are only able to do minimal bits of the roads due to our constrained cash inflows.

Processed tea volumes reduced by 2% to 4.9 million Kgs compared to 5 million Kgs in the previous year giving an out-turn of 22% (2021/2022 - 22%).

Future Outlook

Tea prices in the global market are expected to improve in future and this will boost the company's revenues. However, the impact of Russia/Ukraine conflict and COVID-19 is still being felt in the Auction market. As a result of this, the company projects to grow its local market share which will also generate additional revenue.

Appreciation

I take this opportunity to appreciate the valuable support given by our stake holders namely the customers, suppliers, bankers, and the local community. On behalf of the board, I also wish to express my gratitude to the management, staff and the Government for their commitment to the Company. With your support the company will continue to grow sustainably for the benefit of all stakeholders.



Managing Director

Date..... 29/09/2023

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

The key operational pillars for Kipchabo Tea Factory are centered on Greenleaf received, Made Tea processed and Made Tea sold. During the financial year 2022/23, the factory's key objectives and actual performance are given as below.

Current Year

	Projections	Actual	Variance
Green Leaf - Catchment	13,590,570	10,677,276	2,913,294
Out-growers	12,518,032	11,276,811	1,241,221
Total Green Leaf	26,108,602	21,954,087	4,154,515
Made Tea	6,004,978	4,958,210	1,046,768
Auction Sales	1,396,697,718	1,162,525,668	234,172,050

Current Year Vs Prior Year

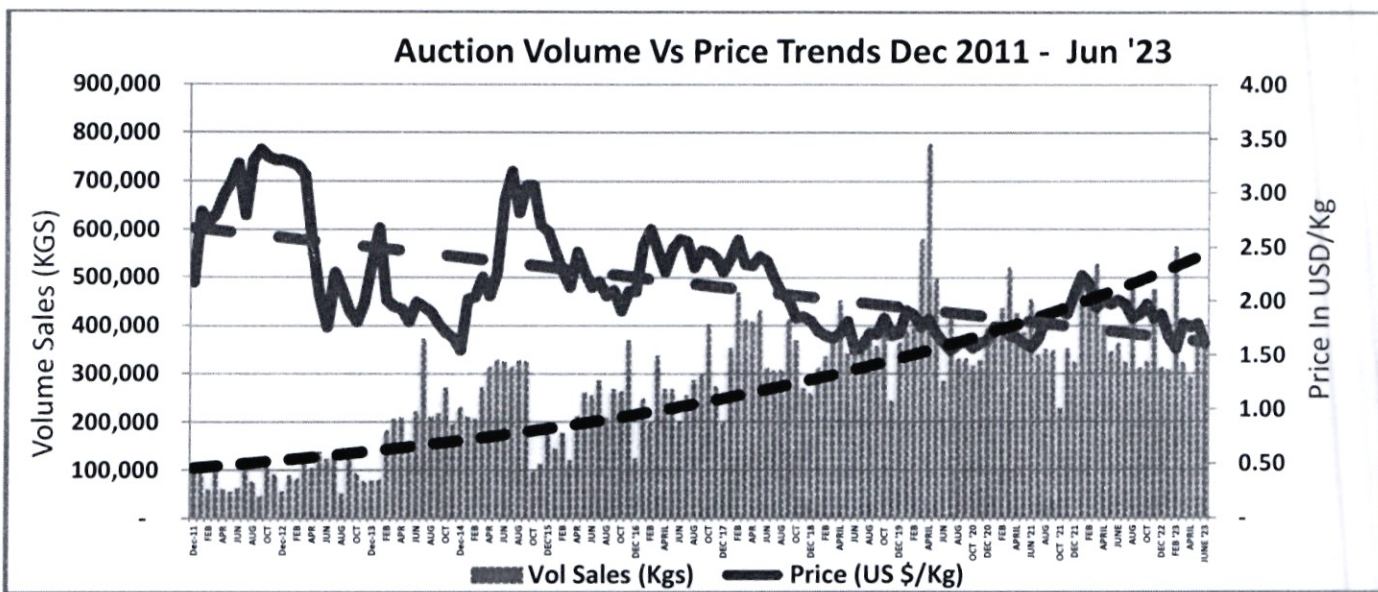
	2022/2023 Projections	2021/2022 Actual	Variance
Green Leaf - Catchment	10,677,276	8,696,814	1,980,462
Out-growers	11,276,811	14,018,013	(2,741,202)
Total Green Leaf	21,954,087	22,714,827	(760,740)
Made Tea	4,958,210	5,078,214	(120,004)
Auction Sales	1,162,525,668	1,082,653,627	79,872,041

NB: The total cost of green leaf for FY 2022/2023 is Ksh 568,427,053. Low performance against targets is attributed to Greenleaf competition and low rainfall within the catchment. This translated to low performance in terms of made tea produced.

	Projections	Actual	Variance
Green Leaf (KGS)	26,108,602	21,954,087	(4,154,515)
Made Tea (KGS)	6,004,978	4,958,210	(1,046,768)
Out turn	23%	22%	-1%
Revenue (KSH)	1,396,697,718	1,162,525,668	(234,172,050)

Kipchabo Tea Factory Limited
 Annual Report and Financial Statements for the year ended June 30, 2023

In the FY 2022/2023, there was stiff competition for green leaf and the weather was not as good as was predicted and hence the factory did not receive the projected green leaf. The auction price of made tea was projected at an average of \$ 2.0 as the auction price. However, the prices were on the decline as depicted here below and averaged at \$ 1.78 in the year under review.



8. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the manner in which the power of, and the power over a company is exercised in the stewardship of its assets and resources so as to enhance and sustain shareholders' value while at the same time satisfying the needs and interests of all its stakeholders. The Company recognizes that corporate governance is a shared responsibility and as such accords the shareholders opportunity to exercise their responsibility for safeguarding and propagating their interests by participating in its affairs, as appropriate, to ensure it is well governed.

The Company conducts its operations in accordance with recommended principles of good corporate governance as provided in Public Officers and Ethics Act as well as Public Financial Management Act 2015.

All the board members except the Managing Director are non-executive and are appointed for a renewable term of 3 years for a maximum of 2 terms.

The board has established 3 committees:

- (i) Production, Business Development & Strategy Committee
- (ii) Audit & Risk Management Committee and
- (iii) Finance, Human Resources & ICT Committee.

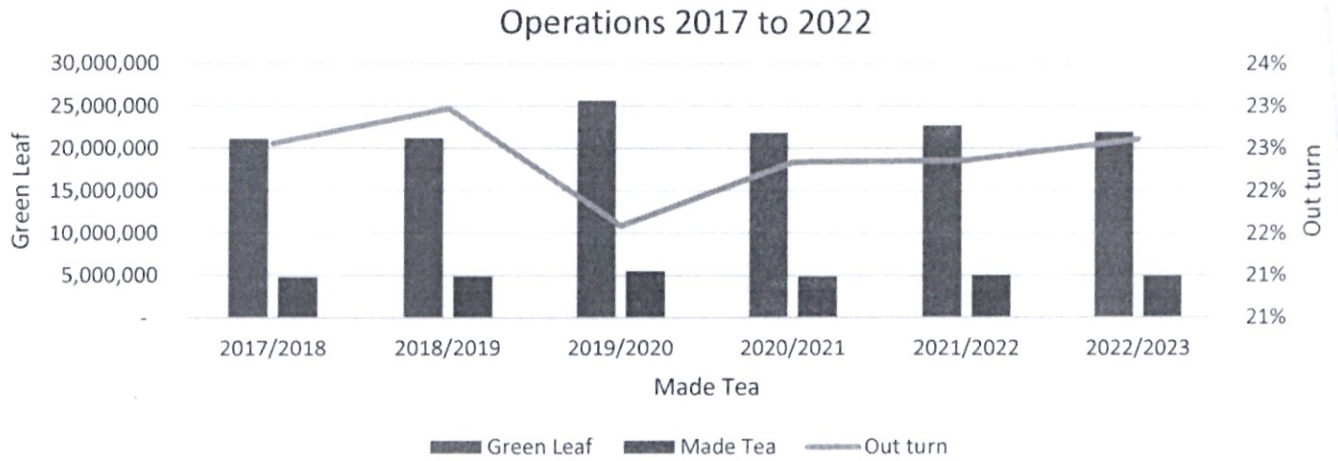
Each committee meets at least once every quarter before tabling their reports to the full board. During the year, four board meetings took place with all board members present.

The company is also focused on enhancing stakeholder's relations program to embrace best practice and to keep all stakeholders informed on the business.

9. MANAGEMENT DISCUSSION AND ANALYSIS

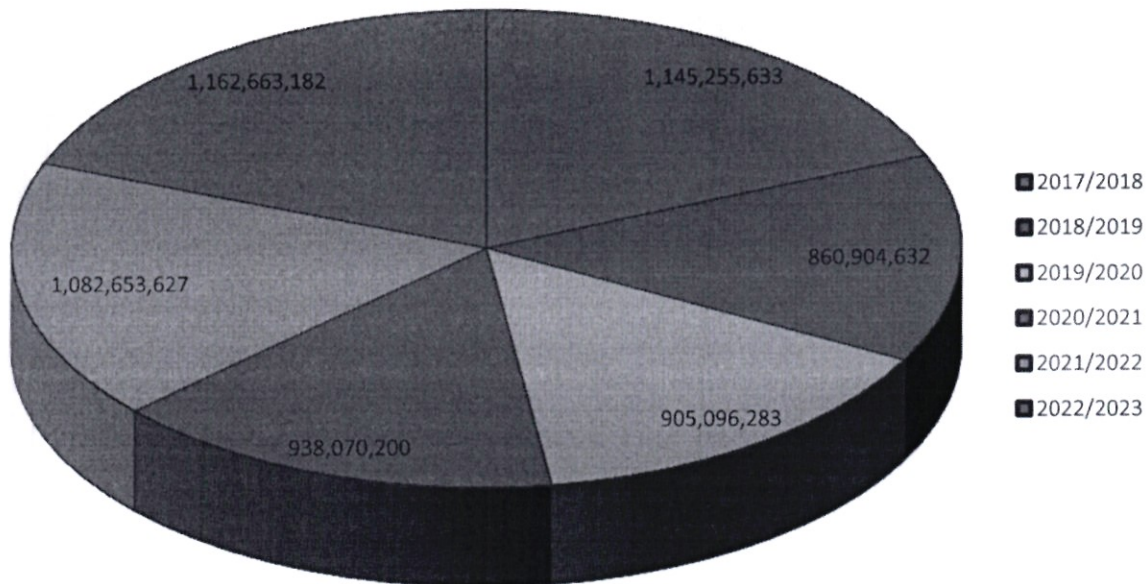
Kipchabo factory has almost been consistent in terms of green leaf and made tea save for 2019/2020

Where we achieved 25.6 million Kilograms of green leaf and 5.5 million Kilograms of Made tea. The weather in that year was unusually favorable. The out turn has been almost constant i.e. (22%-23%).



Prices of Made tea has been bearish as depicted in earlier graph and Kenya shilling compared unfavorably with the hard currency. This explains why the revenues are almost comparing as per the chart below.

Revenue



Over the periods, the below investments have been made.

1. The third line was commissioned in April 2019 with cutting capacity of 2,000kgs/hr of Greenleaf. This raised the total throughput to 5,000kgs/hr.
2. The packaging unit was installed and tested in March 2014 and Value Addition is already up and running. Further expansion expected on development of new products.
3. Out-growers programme was implemented, and we began receiving green leaf from farmers on 10.03.14. with 3,355 farmers already registered and delivering green leaf and currently supply 50% of leaf to the factory.
4. Kipchabo Tea Factory is already certified on three systems that is ISO 22000:2005 -Food Safety Management System, Rainforest Alliance, and UTZ Certification.
5. Development of 11 housing units for support staff under Green Zones Development support programme is already completed and units already occupied. However, the houses are inadequate and there is need to develop 10 more units to accommodate all the support staff.
6. Withering expansion (continuous withering) completed and is already running.
7. Installation of weigh bridge completed and operational.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

(I) Sustainability Strategy & Profile

The main mandate of KTF is to collect green leaf tea from the catchment zones and contracted farmers, process the same into black CTC tea, sell the same in the Mombasa auction and locally. The local sales have been minimal due to competition from the already established organizations.

Sustainability is at the core of NTZDC and Kipchabo Tea factory. The Buffer zone management is a long-term intervention aimed at bringing about a transition to sustainability, in four dimensions: Ecological, Social, Institutional and Financial & Economic sustainability. i) Ecological sustainability - which concerns using natural resources in a way which does not reduce their future use potential or impair the long-term viability of the species. ii) social sustainability - which concerns the ability of contracting communities to sustain their obligations as set out in collaborative agreements. Social acceptability is an important criterion in this aspect. iii) Institutional sustainability - which concerns the managing authority's ability to meet conservation obligations, etc. iv) Financial and economic sustainability - a state in which resources are managed so as to maintain productive opportunities for the future and whereby natural capital stock is non-declining through time. Establishing buffer zones to better preserve conservation areas is by all means a sustainable economic activity coupled with value addition through tea processing via Kipchabo factory.

(ii) Environmental Performance

Being a Rain-Forest Alliance certified institution, Kipchabo factory undertakes a number of environmental conservation activities not only for compliance but also in keeping with the conservation core mandate of the mother company, NTZDC. This includes Ecosystem Conservation through seedlings donation to surrounding communities and tree-planting drives in the environmentally sensitive areas in partnership with out-grower farmers and local institutions including churches, schools and dispensaries.

(iii) Employee Welfare

Kipchabo Tea Factory complies with the prescribed gender balance policy of 70:30% as recommended in the constitution of Kenya. Other policies actively implemented by the factory include Occupational Health and Safety, and provision of insurance cover against injuries and fire incidents (WIBA).

In addition, the factory pays overtime work on a voluntary basis and according to employment laws

to ensure a working week of less than 60 hours. As a routine activity, the factory conducts an education programme for employees and out-grower farmers on environmental conservation.

(iv) Market Place Practices

The factory processes, packages and sells high quality teas through the auction and local market. Some of the brands include Kipchabo mark sold in Mombasa Tea auction while Chabo, Kipchabo FDS and Eco Standard sold in the local market. Kipchabo Tea Factory is ISO 22000:2005 certified and assures customers the highest standards in processing and packing of its tea.

Kipchabo mark sold through the auction is regulated by EATTA while products sold in the local market are priced to cater for all market segments and regulated by KEBS.

Local products are distributed using local traders and customers and the corporation practices responsible marketing in its advertising and promotional activities.

Corporate Social Responsibility

The Corporation continues to emphasize on the importance of Corporate Social Responsibility (CSR) for sustainability of its operations. As is rightly in our mandate conservation of the environment serves a key pillar in our operations.

Various CSR ventures have been implemented so far: -

- i. The Corporation commenced a Bursary scheme to support bright and needy students from the factory catchment through secondary school. The Corporation has so far paid school fees for twelve students under the scheme.



Students receive school fees cheques at Kipchabo factory in January 2023

- ii. NTZDC has also supported several educational and humanitarian causes across the country, including Education Awards events, national ceremonies and donations to school and other projects.
- iii. Additionally, the Corporation has constructed over 100 tea buying centres in the 19 zones of operation where the Corporation and communities sell their tea to the factories.



A tea buying centre in Meru South Zone

- iv. The Corporation also upgrades and maintains rural access roads in the zones where it operates. This has improved local transport, opened trading centers in the zones and enabled farmers' access to markets with their farm produce.
- v. The Corporation has supported community water projects in its areas of operation, including Kombe Dispensary water project at Kipchabo factory catchment in Nandi County, and Nyaru water project at Gatitu factory catchment in Kirinyaga County.
- vi. In addition, the Corporation has supported re-afforestation projects through tree seedlings donations which are distributed and planted through the zonal offices.

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2023, which disclose the state of affairs of the Corporation. The Board is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRS framework.

(i) Dividends

The Corporation's policy on dividends is to propose 5% of the Net Profit for the year as proposed dividends payable.

(ii) Incorporation

The Company is registered in Kenya under the companies Act (Cap.486) registration certificate number CPR/2010/33168. It is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation which is registered in Kenya through a Gazette notice LN265/1986 as a parastatal and is resident in Kenya.

(iii) Principal Activity

The Company's principal activity is processing of CTC black Teas from green leaf. The green leaf is produced from the tea buffer belts established in the gazette forests and from out-growers. This enhances conservation through value addition.

iv) Results

	2022/2023 (Ksh)	2021/2022(Ksh)
Profit /(Loss) before tax	17,671,833	1,519,579
Net Profit/ (Loss) for the year	<u>17,671,833</u>	<u>1,519,579</u>

(v) Directors

The directors who held office during the year and to date of this report are shown on page (vi)

(vi) Auditors

The Auditor-General is responsible for the statutory audit of Kipchabo Tea Factory Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By order of the Board


Managing Director

Date..... 29/07/2023.....

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The State Corporations Act requires the directors to prepare financial statements for each year, which give a true and fair view of the state of affairs of the corporation and of its operating results for that year. It also requires the directors to ensure that the corporation keeps a set of proper accounting records, which disclose with reasonable accuracy at any time the financial position of the corporation. They are also responsible for safeguarding the assets of the corporation.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the legal requirements.

The directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the corporation 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 Kipchabo financial statements were approved by the Board on 29/09/2023 and signed on its behalf by:


Director


Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 KIPCHABO TEA FACTORY FOR THE YEAR ENDED 30 JUNE, 2023

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 the intended purpose.
- C. Report on the 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

Opinion

I have audited the accompanying financial statements of Kipchabo Tea Factory set out on pages 1 to 11, which comprise of the statement of financial position as at

30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kipchabo Tea Factory as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final receipt budget and actual on comparable basis of Kshs.1,396,697,718 and Kshs.1,189,285,893 respectively, resulting to an underperformance of Kshs.207,411,825 or 15% of the budget. Similarly, the Factory spent Kshs.1,171,614,060 against an approved budget of Kshs.1,396,697,718 resulting to an under absorption of Kshs.196,539,904 or 14 % of the budget. Further, the cost of sales of Kshs.996,077,808 includes factory materials expenditures of Kshs.4,071,600 and consumables and electricity amount of Kshs.84,495,368. However, review of the approved budget revealed a provision of Kshs.3,330,000 for factory materials and consumables and electricity of Kshs.66,054,763 resulting to an unauthorized over expenditure of Kshs.741,600 and Kshs.18,440,605 respectively.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Compliance with One Third Rule on Salary Deduction

Analysis of payroll revealed that twenty-five (25) employees earned less than a third (1/3) of their basic salary. This is contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds.

In the circumstances, Management was in breach of the law.

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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Poor Maintenance of Fixed Asset Register

Review of the register revealed that, it did not comply with The National Treasury template in its reporting as it lacked information on the location, status and serial numbers of the assets owned by the Factory.

Further, analysis of the asset register maintained at the headquarters revealed variances as compared to the lists maintained at the Factory as per stock take report. Sampled twelve (12) motor vehicles were not in the asset register maintained.

In addition, review of logbooks and land title deeds revealed that seventeen (17) motor vehicles and three (3) parcels of land measuring 3.9 hectares are in the name of Nyayo Tea Zone Development Corporation yet the Factory is a separate legal entity. It was not clear why the assets have not been transferred to the Factory.

In the circumstances, the internal controls over fixed assets and maintenance of the fixed asset register was inadequate.

The audit was conducted in accordance with ISSAIs 2315 and 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 the examination of those records; and
- iii. The Company's financial statements are in agreement with accounting records and returns.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as the 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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Factory 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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 controls 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 March, 2024

14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2023

	Notes	Kshs 2022/2023	Kshs 2021/2022
Revenue	2 (a)	1,162,660,938	1,082,653,627
Cost of Sales	2 (b)	<u>(996,077,808)</u>	<u>(903,355,861)</u>
Gross Profit		166,583,130	179,297,765
Administrative Expenses	2 (c)	(29,375,808)	(26,576,014)
Other Operating Expenses	2 (d)	(66,412,785)	(66,774,889)
Employment Expenses	2 (e)	<u>(79,747,659)</u>	<u>(85,622,399)</u>
		(175,536,252)	(178,973,302)
Operating Profit Before Finance Costs		(8,953,122)	324,463
Finance Costs	2 (f)	<u>-</u>	<u>-</u>
Profit before Exceptional Item		(8,953,122)	324,463
Other income/ (Exchange Loss)	2(g)	<u>26,624,955</u>	<u>1,195,116</u>
Net profit/(loss) for the year		17,671,833	1,519,579

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	Ksh.	Ksh.
NON - CURRENT ASSETS		2022/2023	2021/2022
Property, Plant & Equipment	3	616,784,385	677,902,042
CURRENT ASSETS			
Inventories	4	159,992,758	155,680,233
Trade Receivables	6	269,677,605	272,760,930
Cash & Bank Balances	5	13,392,793	7,548,178
TOTAL CURRENT ASSETS		443,063,155	435,989,341
TOTAL ASSETS		1,059,847,541	1,113,891,383
EQUITIES & LIABILITIES			
Ordinary Shares	8	100,000	100,000
Share Premium	8	809,171,518	809,171,518
Accumulated Profit	8	51,960,687	34,288,855
		861,232,205	843,560,373
CURRENT LIABILITIES	7	198,615,336	270,331,010
TOTAL EQUITY AND LIABILITIES		1,059,847,541	1,113,891,383

The financial statements were approved by the Board of Directors on 29/09/2023 and signed on its behalf by:



Peter K. Korir
Managing Director



CPA Samuel K. Njire
Head of Finance
ICPAK M. NO: 6527



Joseph G. M Limbiine
Chairman of the Board

16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2023

<u>2021/2022</u>	Accumulated Fund Kshs	Revenue Reserves Kshs	Total Kshs
Shareholders' Funds	809,271,518	37,886,933	847,158,451
Net Profit/(Loss) for the year		(5,117,657)	(5,117,657)
As at 30th June 2021	<u>809,271,518</u>	<u>32,769,276</u>	<u>842,040,794</u>
Net Profit/(Loss) for the year		1,519,579	1,519,579
As at 30th Jun 2022	<u>809,271,518</u>	<u>34,288,855</u>	<u>843,560,373</u>
<u>2022/2023</u>			
As at 30th June 2021	809,271,518	32,769,276	842,040,794
Net Profit/(Loss) for the year		1,519,579	1,519,579
As at 30th June 2022	<u>809,271,518</u>	<u>34,288,855</u>	<u>843,560,373</u>
Net Profit/(Loss) for the year		17,671,833	17,671,833
As at 30th Jun 2023	<u>809,271,518</u>	<u>51,960,688</u>	<u>861,232,206</u>

17. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2023

		2022/2023	2021/2022
	Note	Kshs	Kshs
Cashflow from Operating Activities			
Operating Profit (Loss)		17,671,833	1,519,579
Exchange gain		26,624,955	1,195,116
Depreciation of Fixed Assets	(2d)	62,554,862	62,662,698
Transfer of work in progress to parent Company			
Profit Before Working Capital Changes		106,851,649	65,377,393
Decrease / (Increase) in Debtors & Prepayments	6	3,083,325	135,597,958
Increase / (Decrease) in Creditors & Accruals	7	(71,715,674)	(144,048,760)
Decrease / (Increase) Increase in Stock	4	(4,312,526)	(32,009,289)
Net Changes in working Capital		(72,944,874)	(40,460,090)
Net Cash Generated from Operating Activities		33,906,775	24,917,303
Cashflows used in Investing Activities			
Purchase of Fixed Assets	3	(1,437,205)	(23,155,293)
Net Cash (Used) in Investing Activities		(1,437,205)	(23,155,293)
Net Increase in Cash and Cash Equivalents		32,469,570	1,762,010
Movement in Cash and Cash Equivalents			
At 1st July 2022		7,548,178	6,981,284
Other Income	2(g)	(26,624,955)	(1,195,116)
Increase/(Decrease) in the year		32,469,570	1,762,010
At 30th Jun 2023	5	13,392,793	7,548,178

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2023

	Original budget 2022-2023	Adjustments 2022-2023	Final budget 2022-2023	Actual on comparable basis 2022-2023	Performance difference 2022-2023	% of utilisation 2022-2023	Remarks
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue							
Sale of goods	1,396,697,718	-	1,396,697,718	1,162,660,938	(234,036,780)	83%	Weather was not as predicted, and Auction prices declined in the period
Finance Interest Income	-	-	-	237,419	237,419	0%	
Exchange gain/loss	-	-	-	26,387,536	26,387,536		
Total Income	1,396,697,718	-	1,396,697,718	1,189,285,893	(207,411,825)	85%	Weather was not as predicted, and Auction prices declined in the period
Green Leaf Intake	757,149,458	-	757,149,458	675,572,792	81,576,666	89%	Weather was not as predicted hence low production
Other factory operating expenses	65,756,994	-	65,756,994	46,341,792	19,415,203	70%	Production was lower than projected due to weather
Factory Materials & Consumables	3,330,000	-	3,330,000	4,071,600	(741,600)	122%	Price of materials increase was higher than predicted
Motor Vehicle & Generator Fuel	56,653,083	-	56,653,083	49,651,448	7,001,636	88%	Production was lower than projected due to weather
Electricity	66,754,763	-	66,754,763	84,495,368	(17,740,605)	127%	Power price increased significantly in the period
Factory running expenses	14,719,613	-	14,719,613	13,659,027	1,060,586	93%	
Fuelwood	50,041,487	-	50,041,487	52,920,990	(2,879,503)	106%	
Manufacturing Labour	44,317,597	-	44,317,597	30,116,668	14,200,929	68%	Production was lower than projected due to weather
Transport of finished tea	19,958,139	-	19,958,139	17,391,034	2,567,105	87%	Production was lower than projected due to weather
Warehousing	16,806,854	-	16,806,854	13,839,143	2,967,711	82%	Production was lower than projected due to weather
Brokerage and Catalogue fee	7,806,593	-	7,806,593	8,017,946	(211,353)	103%	
Advertising Marketing & Publicity	9,000,000	-	9,000,000	1,902,919	7,097,081	21%	We could not carry on most advertisement due to constrained cash inflows
Bank charges	1,800,000	-	1,800,000	1,140,520	659,480	63%	Paybills were closed and there was no more charges
Insurance	11,195,650	-	11,195,650	3,146,923	8,048,728	28%	Assets were not purchased as had been predicted
Other administrative expenses	55,424,384	-	55,424,384	23,185,446	32,238,938	42%	We could not carry on most activities due to constrained cash inflows
Light and water	788,852	-	788,852	718,124	70,728	91%	
Repairs and Maintenance	906,107	-	906,107	828,592	77,515	91%	
Security	2,758,110	-	2,758,110	2,311,207	446,902	84%	The foreseen security enhancement did not take place
Depreciation	70,280,923	-	70,280,923	62,554,862	7,726,061	89%	Assets were not purchased as had been predicted
Salaries and wages	112,705,355	-	112,705,355	79,747,659	32,957,696	71%	Human Resource instruments was not approved in the period
Total Expenditure	1,368,153,964	-	1,368,153,964	1,171,614,060	196,539,904	86%	
Surplus for the period	28,543,754	-	28,543,754	17,671,833	10,871,921	62%	

19. NOTES TO THE Financial Statements

1(a) General Information

KTF is established by and derives its authority and accountability from Company's Act. The entity is a wholly owned subsidiary of NTZDC and is domiciled in Kenya. The principal activity of KTF is to process green leaf tea to CTC tea for auction and local sales.

1(b) Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis. 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 entity's accounting policies.

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

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

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.

Title	Descriptions	Effective Date
IFRS 17	N/A Accounts started on 1 st July 2022	
IAS 8	N/A Accounts started on 1 st July 2022	
Amendments to IAS 1	N/A Accounts started on 1 st July 2022	
Amendments to IAS 12	N/A Accounts started on 1 st July 2022	

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 2023.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	N/A	
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	N/A	
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	N/A	

(iii) Early adoption of standards

Kipchabo Tea Factory did not early adopt any new or amended standard in the financial year.

1 (d) Summary of Accounting Policies

i) Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for sales of goods and Services and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales Within the Group. Revenue is recognised as follows:

- Sales of goods are recognised when significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and when there is no continuing management involvement, and the amount of revenue can be measured reliably.
- Sales of services are recognised in the period in which the services are rendered by reference to the completion of specific transactions assessed on the basis of actual service provided as a proportion of total services to be provided. Sales revenue can only be recognised when the associated costs can be estimated reliably, and the amount of revenue can be estimated reliably.

ii) Property Plant & Equipment

Property, plant and equipment are measured at cost or revalued amounts less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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.

iii) Depreciation and impairment of property, plant and equipment

Depreciation is calculated on a straight-line basis, at annual rates estimated to write-off the assets over their expected useful lives.

The annual depreciation rates in use are: -

Buildings	2%	Office Equipment	20%
Machinery	6.65%	Computers & Accessories	33.33%
Furniture & Fixtures	12.5%	Motor Vehicles	20%

iv) Inventories

Finished Tea and Other inventories are stated at cost which is determined on weighted average. Cost is determined on the weighted average cost. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labour and production overheads, where appropriate, that have been incurred in bringing the stocks to their present location and condition. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for costs of realisation. Consumable stores are stated on FIFO basis less provisions for obsolescence, slow moving and defective stocks.

v) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted. No provisions for bad debts are made if all debts are concluded to be collectible after assessment.

vi) Accrued expenses – specific and general provisions.

Provision is made for specific and general expenses incurred during the accounting period but where invoices have not been received. The expenses are charged in the accounting period in the year they are incurred and not necessarily when they were paid. General expenses are measured only using substantial degree of estimation.

vii) Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk. The board has come up with policies for mitigating risks where its implementation is reviewed on quarterly basis.

viii) Related Party disclosures

The company is involved in processing of green leaf tea some of it delivered by the parent corporation (Nyayo Tea Zones).

1 e) Significant Judgements and sources of Estimation Uncertainty

(i) Useful lives and residual values

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

- . The condition of the assets based on assessment of experts employed by the factory.
- . 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.

ii) 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. The only provision in our books is provision for audit fee.

Kipchabo Tea Factory Limited
Annual Report and Financial Statements for the year ended June 30, 2023

	2022/2023	2021/2022
	Kshs	Kshs
2 (a) Revenue		
Sale of Finished Tea	1,162,660,938	1,082,653,627
	1,162,660,938	1,082,653,627
2 (b) Cost of Sales		
Opening Stock	-	-
Green Leaf Intake	675,572,792	628,062,053
Other factory operating expenses	46,341,792	38,490,005
Factory Materials & Consumables	4,071,600	3,075,000
Motor Vehicle & Lubricants	49,651,448	37,364,334
Electricity	84,495,368	67,027,451
Factory running expenses	13,659,027	14,200,734
Fuelwood & Genset Fuel	52,920,990	52,942,510
Manufacturing Labour	30,116,668	25,981,444
Transport of finished tea	17,391,034	16,086,654
Warehousing	13,839,143	12,591,881
Brokerage and Catalogue fee	8,017,946	7,533,795
Less Closing Stock	-	-
	996,077,808	903,355,861
NB: cost associated with opening/closing stocks has been adjusted to specific cost component		
2 (c) Administrative Expenses		
Advertising Marketing & Publicity	1,902,919	5,123,689
Bank charges	1,140,520	1,182,419
Insurance	3,146,923	3,151,013
Other administrative expenses	23,185,446	17,118,894
	29,375,808	26,576,014
2 (d) Other Operating expenses		
Light & Water	718,124	1,159,837
Repairs & Maintenance	828,592	312,526
Security	2,311,207	2,639,827
Depreciation	62,554,862	62,662,698
	66,412,785	66,774,889
2 (e) Employment Expenses		
Salaries and Wages	42,585,325	45,202,320
House Allowance	8,881,350	9,329,050
Leave Allowance	1,420,468	1,124,877
Commuter and other Allowances	10,165,797	6,695,600
Medical Expense	11,845,500	12,395,001
Staff Welfare	-	-
Social Security Expense	4,849,219	10,875,551
Total Employment Expenses	79,747,659	85,622,399
2 (g) Other income		
Miscellaneous Income	2,387,750	-
Interest Income	237,419	76,989
Exchange Gain/ (Loss)	23,999,786	1,118,127
	26,624,955	1,195,116

Exchange gain/loss relates to changes in value in sales denominated in US dollars when converted to Kenya shillings.

3. Property, Plant & Equipment

<u>2022/20223 Cost</u>	Land Kshs	Work-in- Progress Kshs	Factory Buildings Kshs	Factory Machinery Kshs	Furniture & Fixtures Kshs	Office Equipment Kshs	Computers & Accessories Kshs	Motor Vehicles Kshs	Total Kshs
As at 1st Jul 2022	8,044,682	1,619,820	487,862,599	659,527,110	4,193,349	2,048,042	18,971,048	119,786,526	1,302,053,176
Additions				74,412			-	1,362,793	1,437,205
30th June 2023	8,044,682	1,619,820	487,862,599	659,601,522	4,193,349	2,048,042	18,971,048	121,149,319	1,303,490,381
Acum Deprn 1st Jul 2022	-	-	108,403,574	391,128,410	4,027,092	2,048,042	16,855,811	101,688,205	624,151,134
Charge for the year	-	-	9,757,252	43,863,501	55,419	-	1,839,176	7,039,514	62,554,862
30th June 2022 Net Book Value	-	-	118,160,826	434,991,911	4,082,511	2,048,042	18,694,987	108,727,719	686,705,996
30th June 2023	8,044,682	1,619,820	369,701,773	224,609,611	110,838	1	276,061	12,421,600	616,784,385
30th June 2022	8,044,682	1,619,820	398,973,529	351,103,256	277,095	306,189	546,165	13,996,700	774,867,436
<u>2021/2022 Cost</u>	Land	Work-in- Progress	Factory Buildings	Factory Machinery	Furniture & Fixtures	Office Equipment	Computers & Accessories	Motor Vehicles	Total
As at 1st Jul 2021	8,044,682	1,619,820	487,862,599	654,827,110	4,193,349	2,048,042	18,143,031	102,159,250	1,278,897,883
Additions				4,700,000			828,017	17,627,276	23,155,293
30th June 2022	8,044,682	1,619,820	487,862,599	659,527,110	4,193,349	2,048,042	18,971,048	119,786,526	1,302,053,176
Acum Deprn 1st Jul 2021	-	-	98,646,322	347,269,857	3,971,673	1,910,502	14,768,832	94,921,250	561,488,436
Charge for the year	-	-	9,757,252	43,858,553	55,419	137,539	2,086,980	6,766,955	62,662,698
30th June 2022 Net Book Value	-	-	108,403,574	391,128,410	4,027,092	2,048,042	16,855,811	101,688,205	624,151,134
30th June 2022	8,044,682	1,619,820	379,459,025	268,398,700	166,257	1	2,115,237	18,098,321	677,902,042
30th June 2022	8,044,682	1,619,820	398,973,529	351,103,256	277,095	306,189	546,165	13,996,700	774,867,436
30th June 2021	8,044,682	1,619,820	398,973,529	351,103,256	277,095	306,189	546,165	13,996,700	774,867,436

Kipchabo Tea Factory Limited
Annual Report and Financial Statements for the year ended June 30, 2023

	2022/2023	2021/2022
	Kshs	Kshs
4. Inventories		
Finished Tea at Mombasa Warehouse	89,510,359	121,177,419
Finished Tea at Kipchabo Factory	46,607,510	13,152,565
Fuelwood at Kipchabo factory	6,930,160	7,655,000
Other Inventories	16,944,729	13,695,248
	159,992,758	155,680,232
5. Cash & Cash Equivalents		
KCB Current Account	10,991,099	5,192,070
CFC Stanbic Bank	8,021	72,044
Mpesa Cash Account	85,449	13,175
Cash in hand	49,291	218
KCB Fixed Deposit	2,258,933	2,270,672
	13,392,793	7,548,178
6. Trade Receivables		
Trade Debtors	50,085,830	31,785,140
Other Debtors	15,874,943	9,584,352
Nyayo Tea Zones Devt. Corporation - Advances	203,716,832	231,391,439
	269,677,605	272,760,930
7. Trade and other Payables		
Trade Payables	48,788,956	31,566,984
Green leaf Creditors - Nyayo Tea Zones	119,075,646	199,313,826
Payroll Creditors	2,938,585	3,704,905
Green Leaf Creditors - Outgrowers	24,757,021	28,464,213
Accruals	3,055,127	7,281,081
	198,615,336	270,331,010
8. Shareholder's Funds		
Authorised No. of Shares - 5,000 Shares		
Type of Shares - Ordinary Shares		
Par value per Share Ksh. 20 each		
Value of subscribed Shares	100,000	100,000
Share Premium	809,171,518	809,171,518
Revenue Reserves	34,288,856	32,769,277
Profit / (Loss) for the year	17,671,833	1,519,579
	861,232,207	843,560,374

20. APPENDIX 1: Implementation Status of Auditor-General prior year recommendations

In the previous years, the Auditors General issued an unqualified audit opinion on the financial statements of Kipchabo Tea Factory Limited.



Peter K. Korir
Managing Director

Date.....29/9/2023



APPENDIX 1: Implementation Status of Auditor-General prior year recommendations

In the previous years, the Auditors General issued an unqualified audit opinion on the financial statements of Kipchabo Tea Factory Limited.



Peter K. Korir
Managing Director

Date... 29/09/2023

11/10/1914