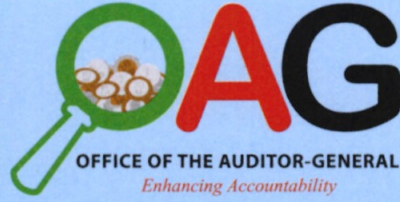


REPUBLIC OF KENYA



REPUBLIC OF KENYA

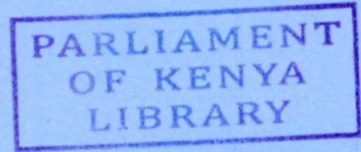


OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

OF



THE AUDITOR-GENERAL

ON

GATITU TEA FACTORY LIMITED

FOR THE YEAR ENDED

30 JUNE, 2025

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 25 FEB 2026

DAY.

WEDNESDAY

TABLED
BY:

HON. NAOMI WAQO, MP
DEPUTY MAJORITY WFLP

CLERK-AT
TABLE:

R. ESTHER NGINYO

OFFICE OF THE AUDITOR GENERAL
P.O. Box 30084 - 00100, NAIROBI
RECORDS OFFICE
11 DEC 2025
RECEIVED



**GATITU TEA FACTORY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
JUNE 30TH, 2025**

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

Table of Contents

1. Acronyms and Glossary of Terms.....	ii
2. Key Entity Information	iii
3 The Board of Directors	vi
4. Key Management Team.....	vii
5. Fiduciary Management.....	ix
6. Fiduciary Oversight Arrangements.....	ix
7. Chairman's Statement.....	x
8. Report of the Chief Executive Officer.....	xi
9. Statement of Performance against Predetermined Objectives for FY 2024/2025.....	xiii
10. Corporate Governance Statement.....	xv
11. Statement of Management Discussion and Analysis.....	xix
12. Environmental and Sustainability Reporting	xxi
13. Report of the Directors	xxvi
14. Statement of Directors' Responsibilities	xxvii
15. Report of the Independent Auditors on the Financial Statements for Gatitu Tea Factory Ltd.....	xxviii
16. Statement of Profit or Loss and Other Comprehensive Income For The Year Ended 30th June 2025.....	1
17. Statement of Financial Position As At 30th June 2025.....	2
18. Statement of Changes in Equity for the year Ended 30th June 2025.....	3
19. Statement of Cashflows for the year Ended 30th June 2025	4
20. Statement of Comparison of Budget And Actual Amount for the year Ended 30th June 2025	5
21. Notes To The Financial Statements.....	6
22. Appendix I: Implementation status of Auditors-General prior Year Recommendations	12
23. Appendix II: Projects implemented during the year	13

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
GTF	Gatitu Tea Factory
CSR	Corporate Social Responsibility.
NTZDC	Nyayo Tea Zones Development Corporation
FDS	Factory Door Sales
EATTA	East Africa Tea Trade Association
KEBS	Kenya Bureau of Statistics
ISO	International Organization for Standardization
CTC	Cut Tear Curl
CAGR	Compound Average Growth Rate
NTSA	National Transport and Safety Authority
JKUAT	Jomo Kenyatta University of Agriculture and Technology
EACC	Ethics and Anti-Corruption Commission
MBA	Master of Business Administration
IESE	Instituto de Estudios Superiores de la Empresa
PHD	Doctor of Philosophy
LTD	Limited
EA	East Africa
KTDA	Kenya Tea Development Agency
ICT	Information and Communication Technology
BETA	Bottom-Up Economic Transformation Agenda
HR	Human Resource
CPA	Certified Public Accountant
CTC	Crush, Tear and Curl
WIBA	Work Injury Benefits Act
FDS	Factory Door Sales
ECO	Ecological
KEBS	Kenya Bureau of Standards
PFM	Public Financial Management

2. KEY ENTITY INFORMATION

Background Information.

Gatitu Tea Factory Limited is a fully owned subsidiary of Nyayo Tea Zones Development Corporation (NTZDC) established under the Companies Act of Kenya. The factory construction began in the year 2016 and became operational in the year 2022. The Factory is the second tea processing factory to be established by the Nyayo Tea Zones Development Corporation to process green leaf tea into made tea. On the other hand, Nyayo Tea Zones Development Corporation is a state corporation established under legal notice 265 of 1986 which was later revised in March 2002 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. Gatitu Tea Factory was thus established in fulfillment of this mandate.

The Chief Executive Officer is responsible for general policy and strategic direction of the factory.

Location

Gatitu Tea Factory is located 36kms from Kerugoya town. It is 1643 meters above sea level. Its Latitude is 0° 26' 7" North and Longitude is 37° 25' 2" East.-Ngariama Ward, Gichugu Subcounty, Ngariama Location, Rungeto sublocation. Location of operations is in Kirinyaga County.

Principal Activities.

The principal activity of the factory is to process Green Leaf tea from the Corporation's catchment zones mainly Kirinyaga, Embu, Mathira and Meru South, into Made Tea. The bulk of manufactured tea is sold through the Mombasa Tea Auction while small quantities are sold in the local market.

MISSION

Creating and sustaining products, markets & brands that offer acceptable customer/consumer propositions profitably

VISION

Transform our business from low to high Value

CORE VALUES

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

DIRECTORS

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

Mr. Joseph Gitonga M'Limbiine - Chairperson - Appointed in April 2024

Mr. Peter K. Korir - Director - Appointed in November 2012 left Nov 2024 after expiry of his term-

Mr. William Togom -Ag Director - Appointed in 16TH Nov 2024 to 31st December 2024

Dr. David Chepkwony - Director - Appointed in 1st January 2025

Legal Manager

Irene Kamanda

Kenyatta Avenue

P.O. Box 48552 – 00100

NAIROBI

Registered Office:

Nyayo House- 11th Floor

Kenyatta Avenue

P.O. Box 48552 – 00100

NAIROBI

Corporate Headquarters:

P.O Box 48552 – 00100

Nyayo House-11Floor

Kenyatta Avenue

Nairobi, Kenya

Corporate Contacts

Telephone: (254) 2217489

E-mail:info@teazones.co.ke

Website: www.teazones.ke

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




Independent Auditors:

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


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	 Joseph Gitonga M'Limbiine Chairman - Board of Directors	<p>Mr. Joseph Gitonga M'Limbiine was 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>
2	 Peter K. Korir – CEO	<p>Mr. Peter Korir was born on 13/12/1969. He joined the board as an Executive Director in November 2012 to 15th November 2024. 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 27 years' experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p>
3	 Dr. David Chepkwony, PhD- CEO	<p>Dr. Chepkwony joined the corporation in 2014 as Director Operations & Commercial and joined the board as an Executive Director on 1st January 2025 after being appointed as the Corporation's Chief Executive Officer. He holds a Bachelor of Commerce-Marketing, Masters degrees in Marketing and a PhD. Prior to joining the Corporation, he worked with Ketepa, Del Monte Kenya Ltd, Reckitt Benckiser EA Ltd & Unilever Kenya Ltd and has over 25 years' experience in sales and marketing.</p>

4. KEY MANAGEMENT TEAM

1	 <p>Peter K. Korir – CEO</p>	<p>Mr. Peter Korir was born on 13/12/1969. He joined the board as an Executive Director in November 2012 to 15th November 2024. 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 27 years' experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p>
2	 <p>Dr. David Chepkwony, PhD- CEO</p>	<p>Dr. Chepkwony joined the corporation in 2014 as Director Operations & Commercial and joined the board as an Executive Director on 1st January 2025 after being appointed as the Corporation's Chief Executive Officer. He holds a Bachelor of Commerce-Marketing, Masters degrees in Marketing and a PhD. Prior to joining the Corporation, he worked with Ketepa, Del Monte Kenya Ltd, Reckitt Benckiser EA Ltd & Unilever Kenya Ltd and has over 25 years' experience in sales and marketing.</p>
3	 <p>Samuel Njire – Director Finance & Accounts</p>	<p>Mr Samuel Njire joined the corporation in 2009 to 15th October 2024 as Director Finance & Accounts. 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 32 years' experience in finance in both public and private institutions</p>

<p>4</p>	 <p>CPA Moses Wamae Wanjohi – Director Finance & Accounts</p>	<p>Mr Moses Wamae joined the corporation in 2006 and was appointed as Director, Finance & Accounts effective January 2025. 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. 4362. He has held various positions in the Corporation including Deputy Director - Finance, Finance Manager – Operations and Financial Accountant. He is responsible for overall financial stewardship of the corporation. He has over 24 years’ experience in finance and management in both public and private institutions</p>
<p>5</p>	 <p>Charles Mucheke – Director Conservation</p>	<p>Mr Charles Mucheke joined the Corporation in 2005 and is the Director Conservation. 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 31 years’ experience in the tea industry.</p>
<p>6</p>	 <p>William Togom – Director Human Resource and Administration</p>	<p>Mr Togom joined the corporation in 2003 and is the Director 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 27 years’ experience in human resource and administration.</p>
<p>7</p>	 <p>Pius Kipkurui- Ag Director Operations & Commercial</p>	<p>Mr. Pius Kipkurui joined the Corporation in 2009 and was appointed as Acting Director of Operations and Commercial Services in January 2025. He holds a Bachelor of Agricultural Economics degree from Egerton University and a Master of Business Administration degree in Strategic Management. He is responsible for operations and tea marketing in the Corporation. Prior to joining the Corporation, he worked with KTDA and Ministry of Agriculture and has over 28 years’ experience in the tea industry.</p>

5. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CEO (Upto 15 th November 2024)	Peter Korir
2.	CEO (From 1 st January 2025)	Dr. David Chepkwony, PhD
3.	Director Conservation	Charles Mucheke
4.	Director Finance and Accounts (upto 15 th Oct 2024)	Samuel Njire
5.	Director Finance and Accounts (From 16 th Oct 2024)	CPA Moses Wamae
6.	Director Human Resource and Administration	William Togom
7.	Ag Director Operations and Commercial	Pius Kipkurui

6. Fiduciary Oversight Arrangements

Production, Business Development & Strategy Committee:

This committee ensures that new business strategies, product developments, and operational changes are sound and aligned with the Corporation's long-term objectives. It evaluates the financial feasibility of new initiatives to ensure that resources are used efficiently, safeguarding the Corporation's financial interests. The committee assesses the potential risks of business development activities, ensuring they do not pose unnecessary financial or operational risks. When considering new products or services, the committee ensures they will deliver an acceptable return on investment and contribute to the Corporation's overall strategy.

Audit & Risk Management Committee:

This committee oversees the financial and risk management systems. They monitor risk management systems and ensure that the Corporation's risks—whether financial, operational, or legal—are identified, assessed and mitigated. The committee is also responsible for ensuring that internal controls are effective and that the Corporation complies with relevant laws, regulations and industry standards. In case of financial discrepancies or audit findings, the committee ensures that corrective actions are implemented to safeguard the Corporation.

Finance & ICT Committee:

This committee oversees the financial health of the Corporation, ensuring that financial resources are allocated effectively and sustainably. The committee plays a crucial role in overseeing IT systems, ensuring they are secure, efficient, and aligned with the Corporation's strategic objectives. By monitoring financial and ICT decisions, the committee helps safeguard the Corporation's long-term success.

Human Resource Committee:

The Committee ensures fair treatment of employees and provides oversight and guidance on HR strategies, policies, and practices, ensuring they align with the organization's overall goals and legal requirements

7. CHAIRMAN'S STATEMENT

I am pleased to present to you the Annual Report and financial statements of Gatitu Tea Factory Limited for the year ended 30 June 2025. The Factory is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation.

The Company started operating in March 2022. A total of 5.3 Million Kilograms of green leaf was received from the factory catchment zones namely Kirinyaga, Embu, Mathira and Meru South zones, during the current financial year.

The investments made in form of machinery and equipment helped the Company to process the tea though we still have capacity underutilization in the factory.


We have aligned our strategy to enhance the achievement of the BETA pillars of manufacturing, food security and nutrition and increase country's exports for most of the tea is sold through the Auction.

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.

The factory's future outlook is bright, since it's designed with a two line processing capacity, the output will be maximized with the installation of the second line in future with projected financial improvement.

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 whom we could not have gone this far.


Joseph G. M'Limbiine
Chairperson of the Board

Date.....10/12/2025.....

8. REPORT OF THE CHIEF EXECUTIVE OFFICER

General

I present to you the Annual Report and financial statements of Gatitu Tea Factory Limited (GTF) for the year ended 30 June 2025. The Factory is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation.

Financial Results

During the financial year, volumes of processed tea sold was 1.2million Kgs. The projected auction price was \$2.8, against the actual \$2.33 in the period. Revenues realized was Ksh 381 Million. Overall, the company recorded a loss of Ksh.19.3 million.

Operations

GTF is designed to have 2 processing lines. Currently, its operating with only one line. The second line will be installed progressively with projected financial improvement in the future.

GTF commenced green leaf processing in March 2022. Total green leaf received by the factory in the financial year was 5.3 million Kgs which was collected from Nyayo Tea Zones factory catchment namely Kirinyaga, Embu, Mathira and Meru South against the projection of 7.2 Million. This was largely due to unfavorable weather in the period resulting in low production of green leaf.

The hiring of the staff commenced in the financial year with some staff already posted to the factory. We will however fill all the vacancies when the additional lines will be installed. This will boost the revenues and operate profitably for sustainability.

We initiated the re-categorization of the factory with the EATTA, to remove the factory from Estate to "Natural Forest Conservation" category. The green leaf comes from our catchment zones who used to deliver the teas to nearby KTDA factories before Gatitu became operational. This will make our made tea to attract better tea prices going forward.

Initially, access roads to the factory were impassable and green leaf delivery was a major challenge. Trucks collecting made tea from the factory for the markets were also having access difficulties while collecting the stock. Jointly with the County government, the road to the factory is now graded.

Future Outlook

Tea prices in the global market are expected to improve in future and this will boost the company's revenues. However geopolitics including the impact of political instability in destination markets, Russia/Ukraine conflict and COVID-19 is still being felt in the Auction market. As a result of this, the company projects to maintain its markets and restructure its costs accordingly for it to maintain sustainability.

Appreciation

I take this opportunity to appreciate the valuable support given by our various stake holders including 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.

Dr. David Chepkwony, PhD
Chief Executive Officer

Date 10/12/2025

9. Statement of Performance against Predetermined Objectives for FY 2024/2025

Section 81 Subsection 2(f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statements, a statement of the national government entity's performance against predetermined objectives.

Gatitu Tea Factory Limited has four strategic pillars and objectives within the last strategic plan for the financial year FY 2024/2025 which was adopted in from the long-term strategic direction of the board.

These strategic pillars are: -

1. Expand our conservation footprint and sensitization drive.
2. Sustainably support livelihoods through tea.
3. Improve and leverage our stakeholder engagement.
4. Build a sustainable Organization.

Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
1. Expand our conservation footprint and sensitization drive.	Exploit all prioritized, high returns. 'Conservation associated' branding opportunities	Grow our Commercial Unit revenues and profits by 5-year CAGRs of 45% and 124% to Kes,870Mn and Kes 151Mn respectively	Develop and launch/Relaunch a 'Conservation' positioned packaged Tea Brand – Eco Tea – and market locally and internationally, including to the local International Community and Institutions.	Sales Volumes in Tons.
2. Sustainably support livelihoods through tea.	Accelerate Packaged Tea growth and market share led locally.	Grow the NTZDC market share by 5% by end FY2025	Expand NTZDC volume sales of value-added teas to 3.02MnKgs of packaged Tea by end 2025 led by brand Eco	3.02 Mn Kgs of Packaged Tea by 2025
			Portfolio expansion to cater to changing Consumer preferences	Number of New Brands, Variants, Pack-sizes
3. Improve and leverage our	Establish a collaborative and mutually	Create Trade relationships that support	Develop a Commercial Stakeholder	Signed-off and Responsibility assigned

stakeholder engagement.	beneficial relationship with our trade partners	delivery of organization's Commercial goals	Engagement strategy with focus on key/critical stakeholders	Strategy
		Enhance Customer service to ameliorate experience with our Brands, in support of Trade expansion.	Institute periodic and formal engagement initiatives with Trade partners at Regional and National levels to build lasting relationships.	Customer Satisfaction score of >85%
4. Build a Sustainable Organisation.	Build a sustainable Commercial organization by investing in our people, capacity, processes and systems.	Right staff, in right roles, equipped and trained right to deliver Commercial goals.	Ensure Staff trained in necessary skills to support delivery of Organisation's goal.	100% of Staff Trained in required area(s)
			Ensure Staff are provided with the necessary Tools to deliver the Organisation's goals.	Staff Fully Trained.

10. CORPORATE GOVERNANCE STATEMENT

The Corporation is committed to ensuring compliance with the principles of corporate governance as enshrined in the Constitution of Kenya 2010, the State Corporations Act, Cap 446, Tea Act 2020 and the *Mwongozo* Code of Conduct for State Corporations. The Corporation conducted its operations in adherence to the principles of Corporate Governance such as transparency and disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship.

Please Note that the board of Nyayo Tea Zones Development Corporation is the same Board that serves Gatitu Tea factory Limited and Kipchabo Tea factory which collectively are wholly owned by Nyayo Tea Zones Development corporation.

The Board has established a Board Charter that guides its operations and on an annual basis, sets performance targets through a work plan. In compliance with the provisions of the *Mwongozo*, a Board evaluation was carried out by the State Corporations Advisory Committee.

The following members exited the Board during the financial year following expiry of their term, Mr Raymond Kemei, Mr Andrew Karumbo, Mr Andrew Nyanchoga, Mr Leonard Kubok and Ms Joyce Njogu.

The following members joined the board during the financial year following their appointment CPA Isabella Koga, Mr Patrice Jomo Chumba, Mr Geoffrey Wachira Mahinda, Mr Malika Ali Omar and Mr John Karanja Kamau.

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 4 committees, namely (i) Production, Business Development & Strategy Committee (ii) Audit & Risk Management Committee,

(iii) Finance & ICT Committee and (iv) Human Resource Committee. Each committee meets at least once every quarter before tabling their reports to the full board.

Below is the composition of Board Committees.

		Audit & Risk Management	Production, Business Development & Strategy	Finance & ICT	Human Resource
1	Chairperson	Raymond Kemei	Joyce Njogu	Andrew Karumbo	Andrew Nyanchoga
2	Member	Joyce Njogu	Andrew Karumbo	Andrew Nyanchoga	Andrew Karumbo
3	Member	Isabella Koga	Andrew Nyanchoga	Joyce Njogu	Isabella Koga
4	Member	Leonard Kubok	Isabella Koga	Isabella Koga	Leonard Kubok
5	Member	Beatrice Bariu	Leonard Kubok	Leonard Kubok	Beatrice Bariu
6	Member	Obote Evans	Beatrice Bariu	Beatrice Bariu	Obote Evans
7	Member	Paul Kiprop	Obote Evans	Obote Evans	Raymond Kemei
8	Member		Paul Kiprop	Paul Kiprop	
9	Member			Raymond Kemei	

Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

During the financial year, 39 Board meetings were held 9 of which were consultative and PC related (not summarized), the attendance is summarized below.

S/NO.	NAME	ATTENDANCE
Full Board		
1	Joseph G. M'limbine	12/12
2	Peter K. Korir	7/12
3	Andrew Nyanchoga	12/12
4	Raymond Kemei	11/12
5	Andrew Karumbo	12/12
6	Paul Kiprop	12/12
7	Joyce Njogu	12/12
8	Obote Evans	12/12
9	Leonard Kubok	9/12
10	Beatrice Bariu	12/12
11	Isabella Koga	0
12	William Togom	2/12
13	David Chepkwony	3/12
Finance & ICT Committee		
1	Peter K. Korir	2/4
2	Andrew Nyanchoga	1/4
3	Andrew Karumbo	4/4
4	Joyce Njogu	1/4
5	Isabella Koga	2/4
6	Leonard Kubok	2/4
7	Beatrice Bariu	3/4
8	Obote Evans	4/4
9	Paul Kiprop	1/4
10	Raymond Kemei	1/4
11	David Chepkwony	2/4
Production, Business Development & Strategy Committee		
1	Peter K. Korir	2/4
2	Andrew Nyanchoga	4/4
3	Andrew Karumbo	1/4
4	Joyce Njogu	4/4
5	Isabella Koga	2/4
6	Leonard Kubok	2/4
7	Beatrice Bariu	1/4
8	Obote Evans	1/4
9	Paul Kiprop	4/4
10	David Chepkwony	2/4
Audit & Risk Management Committee		
1	Raymond Kemei	4/4
2	Joyce Njogu	3/4
3	Isabella Koga	1/4
4	Leonard Kubok	2/4
5	Beatrice Bariu	1/4
6	Obote Evans	4/4
7	Peter K. Korir	2/4
8	Paul Kiprop	4/4
9	David Chepkwony	2/4

Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

Human Resource Committee		
1	Raymond Kemei	6/6
2	Andrew Karumbo	6/6
3	Isabella Koga	2/6
4	Leonard Kubok	3/6
5	Beatrice Bariu	6/6
6	Obote Evans	5/6
7	Peter K. Korir	4/6
8	Andrew Nyanchoga	6/6
9	David Chepkwony	2/6

Appointment of Board Members:

The Cabinet Secretary, Ministry of Agriculture and Livestock Development appoints the Board Members. The Chairman is appointed by the President of the Republic. Every appointment is done by name and by notice in the Kenya Gazette. Appointments cease if a member:

- (a) Serves the appointing authority with a written notice of resignation; or
- (b) Is absent, without the permission of the Chairperson, for three consecutive meetings; or
- (c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
- (d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
- (e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.
- (f) Any removal of a Board Member shall be through formal revocation.
- (g) The Corporation Secretary ensures that a record of the appointment letters, gazette notice and written acceptance by the Board member are kept in the personal file of the Board Member.

Roles of the Board

The roles and functions of the board include the following.

- a) To oversee the implementation of the Corporations' mission, vision, purpose and core values through various programs.
- b) To Exercise their role collectively, not individually
- c) To set and oversee the overall strategy and approve significant policies of the Corporation.
- d) To review, Evaluate and approve, on a regular basis, long-term plans for Corporation.
- e) To review and evaluate and approve Corporation's budget and financial forecasts.
- f) To review and evaluate and approve major resource allocation and capital investments.
- g) To ensure that the procurement processes were cost -effective and delivered value for money.
- h) To review and approve the operating and financial results of the Corporation.
- i) To ensure effective, accurate, timely, and transparent disclosure of pertinent information on the Corporation's operations and performance.
- j) To Adopt, implement and Monitor compliance with the Corporation's Codes of Conduct and Ethics.
- k) To Review, evaluate and approve the Overall Corporation 's structure, the assignment of senior management responsibilities and plans for senior management development and succession.

Conflicts of interest

The *Mwongozo* code of governance for State Corporations, the Leadership and Integrity Act, Public Officers Ethics Act and other relevant laws have set standards on the management of conflict of interest. The Corporation is in compliance with the requirements set out in the code and the relevant laws. The Directors are required to disclose their areas of conflict. Directors are required to refrain from contributing to or voting on matters in which they have such conflict or influence a decision with respect to such a matter. The Corporation also maintains a register to record conflict of interest.

Board Remuneration

The Board of the Corporation recommends the remuneration and sitting allowances paid to the Chairman and members of the Board in line with the currently prevailing government guidelines on payment of remuneration and allowances for Board members. The Chairman and Board were therefore paid sitting allowance and other allowances in line with the guidelines.

Ethics and conduct and Governance Audit.

The Corporation has adopted high standards and applies strict rules of conduct, based on the best corporate practices. The Board continued to adhere to good corporate governance by embracing the following principles.

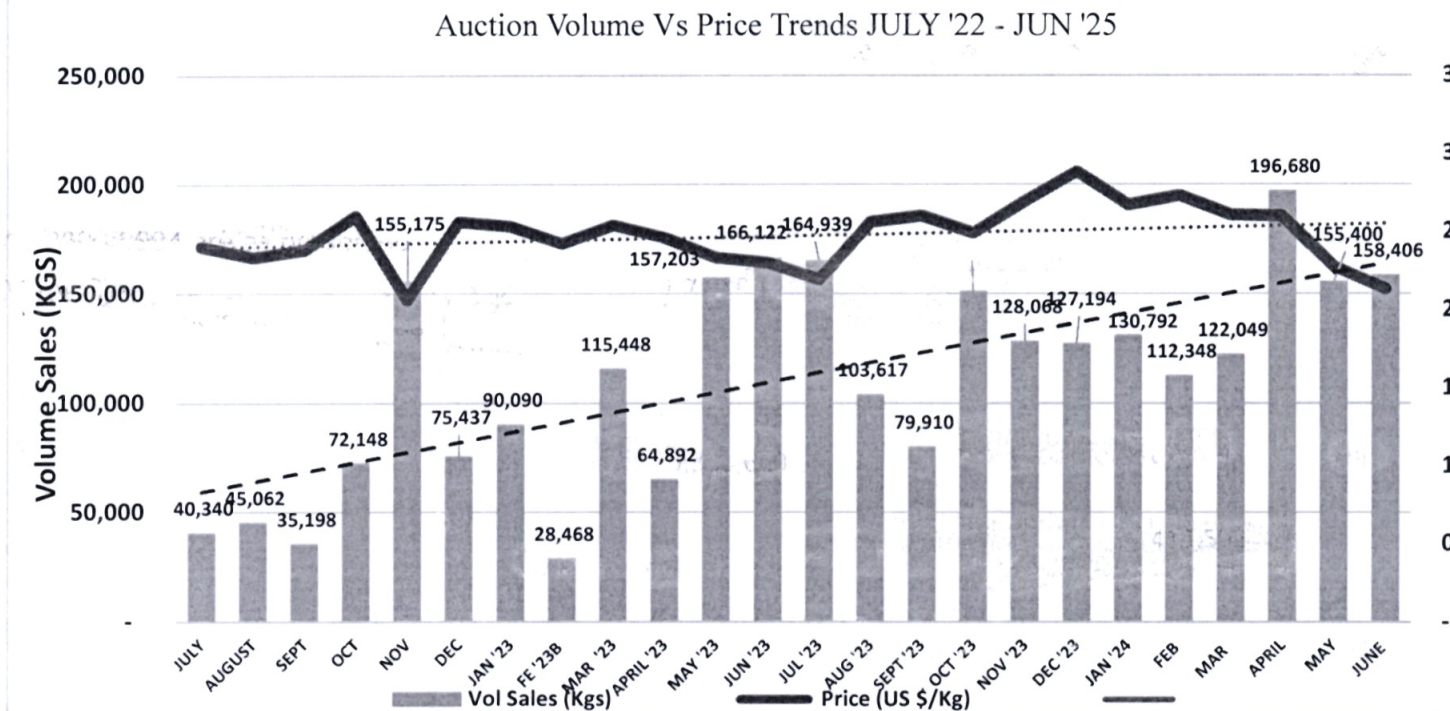
- a) Observing high standards of ethical and moral behavior
- b) Acting in the best interests of the organization
- c) Remunerating and promoting staff fairly and responsibly
- d) Ensuring that the Corporation acts as a good corporate citizen.

Succession plan

Board members shall hold office for a period not exceeding three (3) years and are eligible for reappointment for one term not exceeding 3 years. The renewal of a Board member tenure for a second term is subject to an acceptable evaluation as determined during the Board evaluation.

11. STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS

Gatitu factory limited has almost been consistent in terms auction prices as depicted below.



The factory's green leaf for the 2024/2025 projections vs actuals and Actuals 2024/2025 vs 2023/2024 are as presented below.

Current Year	2024/2025	2024/2025	Variance
	Projections	Actual	
Green Leaf – Catchment	7,290,641	5,386,610	-1,904,031
Made Tea	1,676,847	1,263,255	-413,592
Sales of Made Tea (Ksh.)	632,171,476	381,368,837	-250,802,639
Current Year Vs Prior Year	2024/2025	2023/2024	Variance
	Actual	Actual	
Green Leaf - Catchment	5,386,610	8,026,442	-2,639,832
Made Tea	1,263,255	1,718,090	-454,835
Sales of Made Tea	381,368,837	622,372,278	-241,003,441

The primary objective of the Gatitu Tea Factory Limited Risk Management program is to identify, assess, monitor risks and ensure that appropriate management strategies are in place for known enterprise risks. The Gatitu Tea Factory Limited will undertake a substantive annual review of its operation for which it will purposely manage risks as part of our day-to-day operations.

Consistent with our Mission, risk mitigation strategies and improvement efforts will also be key inputs into the strategic and business plans.

The Major Risks facing the organization are:-

1. Economy Risks:

Risks that the Kenyan economy, burdened by debt, will result in low purchasing power of consumers and or businesses thus lowering demand for goods (and services). Demands by Government on State Corporations (Parastatals) for 'cash' to fund the national budget.

2. Climate Change Risks:

Exposure of natural capital physical/biological assets and infrastructure to increasing magnitude of warming, increased greenhouse gas concentrations, extreme weather events, natural catastrophes like mud slides-hail storms-frost.

Projects undertaken during the year

During the period under review, the following key projects were undertaken and completed.

1. Water intake for use in the factory.

The Gatitu Tea Factory Limited undertook a water project in order to have adequate and reliable water supply for its day-to-day operations. The water intake also considered the supply of water to the community living along the waterline and also installation and maintenance of community waterline from the water intake to their supply tank as part of Gatitu Tea Factory limited social responsibility.

12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

(i) Sustainability Strategy & Profile

The main mandate of GTF is to collect green leaf tea from the catchment zones, 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 Gatitu 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 Gatitu factory.

(ii) Environmental Performance

Being a Rain Forest Alliance certified institution, Gatitu 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 tree-planting drives in the environmentally sensitive areas in partnership with local communities and administration. The factory also practices waste segregation and has engaged the services of a registered waste collector.

(iii) Employee Welfare

Gatitu 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 ensure a working week of less than 60 hours. As a routine activity, the factory conducts an education programme for employees 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 Gatitu mark sold in Mombasa Tea auction while Gatitu FDS and Eco Standard sold in the local market.

a) Responsible competition practice.

Gatitu 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.

b) Responsible supply chain and supplier relations

Local products are distributed using local traders and customers.

c) Responsible marketing and advertisement

The corporation practices responsible marketing in its advertising and promotional activities.

d) Product stewardship

Gatitu Tea Factory is RA certified and assures customers the highest standards in processing and packing of its tea.

V) 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 activities were implemented during the review period including issue and planting of tree seedlings in to the community especially during the National tree planting day for climate change mitigations.



Community members and Gatitu Tea Factory staff during planting of tree seedlings.

The Corporation also maintained factory access road. This has improved local transport, opened trading centers in the neighborhood and enabled farmers' access to markets with their farm produce.



Access road repairs in Embu Zone

- i. The Corporation has continuously supported community water projects in its areas of operation, including, and Nyaru water project at Gatitu factory catchment in Kirinyaga County.

13. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2025, which disclose the state of affairs of the Corporation.

(i) 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. This enhances conservation through value addition.

(ii) Results

	2024/2025 (Ksh)	2023/2024 (Ksh)
Profit /(Loss) before tax	(19,376,618)	2,466,966
Net Profit/ (Loss) for the year	<u>(19,376,618)</u>	<u>2,466,966</u>

(iii) Dividends

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

(iv) 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 Gatitu Tea Factory Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By order of the Board



Dr. David Chepkwony, PhD

Chief Executive Officer

Date.....

10/12/2025

14. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act require the Directors to prepare financial statements in respect of that Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year/period. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Corporation, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

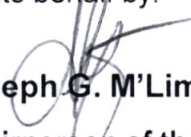
The Directors responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act).

The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2025, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Corporation'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 entity 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 Gatitu financial statements were approved by the Board on 10/12/2025 2025 and signed on its behalf by:


Joseph G. M'Limbiine
Chairperson of the Board


Dr. David Chepkwony, PhD
Chief Executive Officer

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON GATITU TEA FACTORY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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 Gatitu Tea Factory Limited set out on pages 1 to 14 which comprise of the statement of financial position as at 30 June, 2025, 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 Gatitu Tea Factory Limited as at 30 June, 2025 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 International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Gatitu Tea Factory Limited 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

Long Outstanding Trade Payables

The statement of financial position reflects Trade and Other payables of Kshs.89,957,999 as at 30 June, 2025 and as disclosed in Note 7 to the financial statements. Review of the supporting schedules revealed that payables totalling Kshs.6,937,786 had remained outstanding for more than one year, with some dating as far back as the year 2021.

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.

Other Information

The Management is responsible for the Other Information set out on page iii to xxvii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Statement of Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Tea Factory's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the

Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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 3000 and ISSAI 4000. The standards require 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, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and 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

Conclusion

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. The information given in the Directors' report on page xxvi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 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 governance.

In preparing the financial statements, Management is responsible for assessing the Gatitu Tea Factory'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 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 Tea Factory'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


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial

statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 December, 2025

Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

**16. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2025**

	Notes	Kshs 2024/2025	Kshs 2023/2024
Revenue	2 (a)	381,368,837	622,372,278
Cost of Sales	2 (b)	(334,179,806)	(553,519,400)
Gross Profit		47,189,032	68,852,878
Administrative Expenses	2 (c)	(10,770,773)	(11,262,955)
Other Operating Expenses	2 (d)	(40,879,100)	(39,922,154)
Employment Expenses	2 (e)	(14,714,018)	(13,648,854)
Operating Profit Before finance Costs		(66,363,891) (19,174,859)	(64,833,963) 4,018,915
Finance Costs	2 (f)	-	-
Profit before Exceptional Item		(19,174,859)	4,018,915
Other income/(Exchange Loss)	2(g)	(201,759)	(1,551,949)
Net profit/(loss) for the year		(19,376,618)	2,466,966

Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

17. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Notes	2024/2025 Ksh.	2023/2024 Ksh.
NON - CURRENT ASSETS			
Property, Plant & Equipment	3	1,173,518,254	1,191,668,536
CURRENT ASSETS			
Inventories	4	64,429,562	77,333,162
Trade Receivables	6	18,933,296	51,828,597
Cash & Bank Balances	5	4,825,014	4,577,823
TOTAL CURRENT ASSETS		88,187,872	133,739,581
TOTAL ASSETS		1,261,706,126	1,325,408,118
EQUITIES & LIABILITIES			
Ordinary Shares	8	100,000	100,000
Share Premium	8	1,227,264,318	1,227,264,318
Accumulated Profit	8	(55,616,191)	(36,239,573)
TOTAL CAPITAL		1,171,748,127	1,191,124,746
TOTAL CURRENT LIABILITIES			
Trade & Other Payables		89,957,999	134,283,372
TOTAL EQUITY AND LIABILITIES		1,261,706,126	1,325,408,118

The financial statements were approved by the Board of Directors on 10/12/2025 and signed on its behalf by:-


Dr. David Chepkwony, PhD
Chief Executive Officer


CPA Moses Wamae
Director Finance & Accounts
ICPAK M/No. 4362


Joseph. G. M Limbiine
Chairperson of the Board

18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2025

	Accumulated Fund Kshs	Revenue Reserves Kshs	Total Kshs
As at 30th June 2024	1,227,364,318	-	1,227,364,318
Shareholders capital injection	-		-
Net Profit/(Loss) for the year		<u>(36,239,573)</u>	<u>(36,239,573)</u>
As at 30th June 2024	<u>1,227,364,318</u>	<u>(36,239,573)</u>	<u>1,191,124,746</u>
Net Profit/(Loss) for the year		<u>(19,376,618)</u>	<u>(19,376,618)</u>
As at 30th Jun 2025	<u>1,227,364,318</u>	<u>(55,616,191)</u>	<u>1,171,748,127</u>

Gatitu Tea Factory Ltd
Annual Report and Financial Statements
For the year ended June 30, 2025

19. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2025

	Note	2024/2025 Kshs	2023/2024 Kshs
Cashflow from Operating Activities			
Operating Profit (Loss)		(19,376,618)	2,466,966
Exchange Loss		201,759	(1,551,949)
Depreciation of Fixed Assets	2 (d)	39,229,100	37,627,837
Transfer of work in progress to parent Company			
Profit Before Working Capital Changes		20,054,241	38,542,854
Debtors & Prepayments	6	32,895,301	(27,986,065)
Creditors & Accruals	7	(44,325,373)	(5,634,597)
Stock	4	12,903,599	(13,146,267)
Net Changes in working Capital		1,473,527	(46,766,930)
Net Cash Generated from Operating Activities		21,527,768	(8,224,075)
Cashflows used in Investing Activities			
Equity Investment		-	-
Purchase of Fixed Assets	3	(21,078,818)	(9,719,698)
Net Cash (Used) in Investing Activities		(21,078,818)	(9,719,698)
Net Increase in Cash and Cash Equivalents		448,950	(17,943,773)
Exchange loss	2(g)	(201,759)	-
Total Increase in Cash and Cash Equivalents		247,191	-
Movement in Cash and Cash Equivalents			
At 1st July 2024		4,577,822	20,969,646
Exchange loss		-	1,551,949
Increase/(Decrease) in the year		247,191	(17,943,773)
At 30th June 2025	5	4,825,013	4,577,822

20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation	Remarks
	Jun-25	Jun-25	Jun-25	Jun-25	Jun-25	Jun-25	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue							
Sale of goods	632,171,476	222,990,802	409,180,674	381,368,837	(27,811,836)	93%	
Finance Income	-	-	-	26,781	26,781	0%	
Exchange gain/loss	-	-	-	(228,540)	(228,540)		
Total Income	632,171,476	222,990,802	409,180,674	381,167,078	(28,013,595)	93%	
Closing stock		-		15,040,768			
Green Leaf Intake	348,507,807	104,754,557	243,753,250	242,897,437	855,813	100%	
Other factory operating expenses	8,104,000	-	8,104,000	7,385,539	718,461	91%	
Factory Materials & Consumables	-	-	-	-	-	0%	
Motor Vehicle & Generator Fuel	27,369,092	15,616,184	11,752,908	10,379,457	1,373,451	88%	There was low crop in the period hence low transport cost
Electricity	29,765,554	9,000,000	20,765,554	19,690,197	1,075,357	95%	
Factory running expenses	15,387,108	8,654,683	6,732,426	6,300,323	432,103	94%	
Fuelwood	15,900,403	4,000,000	11,900,403	10,953,264	947,139	92%	
Manufacturing Labour	25,851,577	13,987,189	11,864,388	10,788,699	1,075,689	91%	
Transport of finished tea	6,565,108	2,000,000	4,565,108	4,435,969	129,139	97%	
Warehousing	6,669,316	3,000,000	3,669,316	3,463,353	205,963	94%	
Brokerage and Catalogue fee	5,233,613	2,000,000	3,233,613	2,844,802	388,811	88%	Volumes sold were lower than envisioned
Advertising Marketing & Publicity	3,000,000	2,000,000	1,000,000	310,621	689,379	31%	Limited cash inflows
Bank charges	120,000	(100,000)	220,000	209,433	10,567	95%	
Insurance	2,308,692	-	2,308,692	1,321,146	987,545	57%	Budgeted assets were not procured in the year
Other administrative expenses	22,755,211	13,000,000	9,755,211	8,933,883	821,328	92%	
Repairs & Maintenance	-	-	-	-	-	0%	
Security	2,737,215	1,000,000	1,737,215	1,645,690	91,525	95%	
Depreciation	45,551,733	-	45,551,733	39,229,100	6,322,633	86%	Budgeted assets were not procured in the year
Salaries and wages	49,301,243	27,061,072	22,240,172	14,714,018	7,526,154	66%	Staff hiring was frozen
Total Expenditure	615,127,672	205,973,685	409,153,988	400,543,697	8,610,291	98%	
Surplus for the period	17,043,803	17,017,118	26,686	(19,376,618)	19,403,304	-72611%	

Gatitu Tea Factory Limited
Annual Report and Financial Statements
for the year ended June 30, 2025

21. NOTES TO THE ACCOUNTS

NOTES TO THE Financial Statements

1(a). General Information

GTF 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 2024.

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)	Amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	Amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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 2024.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

(iii) Early adoption of standards

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

1. Summary of Accounting Policies

(a) 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 Gatitu Tea Factory.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International

(b) 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:

- (i) 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.
- (ii) 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.

(c) 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.

(d) 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%	Equipment	25%
Machinery	6.65%	Computers & Accessories/ Solar Lights	33.33%
Furniture & Fixtures	12.5%	Motor Vehicles	20%

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) Related-Party disclosures

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

(j) Trade and other Payables

payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payments is due within one year or less. If not they are presented as non current liabilities. Provision is made for specific and general expense incurred during the accounting period but where invoices have 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 a substantial degree of estimation.

Gatitu Tea Factory Limited
Annual Report and Financial Statements
for the year ended June 30, 2025

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

(l) Budget Information

The original budget information for FY 2024-2025 was approved by the National Treasury on 30th June 2024. Subsequent revisions or additional appropriations are made to the approved budget in accordance with specific approvals from the National Treasury. The additional appropriations are added to the original budget by the corporation upon receiving the respective approvals in order to conclude the final budget. During the year the corporation did not request for additional appropriation on the 2024-2025 budget.

Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

	2024/2025	2023/2024
	Kshs	Kshs
2 (a) Revenue		
Sale of Finished Tea	381,368,837	622,372,278
	381,368,837	622,372,278
2 (b) Cost of Sales		
Opening Stock	59,807,073	51,189,205
Green Leaf Intake	242,897,437	453,493,969
Other factory operating expenses	7,385,539	12,421,331
Motor Vehicle & Lubricants	10,379,457	15,413,191
Electricity	19,690,197	25,967,005
Factory running expenses	6,300,323	10,051,551
Fuelwood	10,953,264	16,809,170
Manufacturing Labour	10,788,699	12,279,010
Transport of finished tea	4,435,969	6,484,963
Warehousing	3,463,353	4,563,028
Brokerage and Catalogue fee	2,844,802	4,654,050
Less Closing Stock	(44,766,305)	(59,807,073)
	334,179,806	553,519,400
2 (c) Administrative Expenses		
Advertising Marketing & Publicity	310,621	87,000
Bank charges	209,433	221,340
Insurance	1,321,146	1,616,726
Other administrative expenses	8,929,573	9,337,889
	10,770,773	11,262,955
2 (d) Other Operating expenses		
Light & Water	-	55,368
Repairs & Maintenance	4,310	-
Security	1,645,690	2,238,948
Depreciation	39,229,100	37,627,837
	40,879,100	39,922,154
2 (e) Employment Expenses		
Salaries and Wages	8,507,653	7,546,907
House Allowance	1,303,600	1,156,800
Leave Allowance	194,938	282,556
Commuter and other Allowances	2,309,000	2,197,280
Medical Expense	911,063	2,249,310
Social Security Expense	1,487,764	216,001
Total Employment Expenses	14,714,018	13,648,854
2 (g) Other income		
Miscellaneous Income	-	-
Interest Income	26,781	(1,578,224)
Exchange Gain/ (Loss)	(228,540)	26,276
	(201,759)	(1,551,949)

Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

	Note 3							
	Factory Buildings	Factory Machinery	Furniture & Fixtures	Equipment	Computers & Accessories	Solar Lights	Motor Vehicles	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<u>2024/2025</u>								
Cost								
As at 1st Jul 2024	1,043,444,867	211,929,558	1,443,958	1,852,773	2,414,520	1,911,722	2,900,000	1,265,897,397
Additions	-	19,639,162	-	146,552	-	-	1,293,103	21,078,818
30th June 2025	1,043,444,867	231,568,720	1,443,958	1,999,325	2,414,520	1,911,722	4,193,103	1,286,976,215
Acum Deprn 1st Jul 2024	41,624,745	28,092,011	351,490	787,193	1,576,246	637,177	1,160,000	74,228,861
Charge for the year	20,868,897	15,399,320	180,495	499,831	804,759	637,177	838,621	39,229,100
30th June 2025	62,493,642	43,491,330	531,984	1,287,024	2,381,006	1,274,354	1,998,621	113,457,961
Net Book Value								
30th June 2025	980,951,225	188,077,390	911,973	712,301	33,514	637,368	2,194,483	1,173,518,254
<u>2023/2024</u>								
Cost								
As at 1st Jul 2023	1,037,792,360	210,506,690	1,367,959	1,295,998	2,314,692	-	2,900,000	1,256,177,700
Additions	5,652,507	1,422,867	75,999	556,775	2,011,549	-	-	9,719,698
30th June 2024	1,043,444,867	211,929,558	1,443,958	1,852,773	4,326,242	-	2,900,000	1,265,897,397
Acum Deprn 1st Jul 2023	20,755,847	13,998,695	170,995	324,000	771,487	-	580,000	36,601,023
Charge for the year	20,868,897	14,093,316	180,495	463,193	1,441,936	-	580,000	37,627,837
30th June 2024	41,624,745	28,092,011	351,490	787,193	2,213,423	-	1,160,000	74,228,861
Net Book Value								
30th June 2023	1,001,820,123	183,837,547	1,092,468	1,065,580	2,112,818	-	1,740,000	1,191,668,537

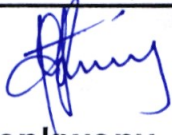
Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

	2024/2025 Kshs	2023/2024 Kshs
4. Inventories		
Finished Tea	44,766,305	59,807,073
Fuelwood at Gatitu factory	7,424,495	3,269,115
Other Inventories	12,238,763	14,256,974
	<u>64,429,562</u>	<u>77,333,162</u>
5. Cash & Cash Equivalents		
KCB Current Account	1,097,020	1,467,010
CFC Stanbic Bank	627,993	5,812
Cash in hand	(0)	5,001
KCB Fixed Deposit	3,100,000	3,100,000
	<u>4,825,014</u>	<u>4,577,823</u>
6. Trade Receivables		
Trade Debtors	12,647,510	46,971,169
Other Debtors	6,285,787	4,857,427
Nyayo Tea Zones Devt. Corporation - Advances		-
	<u>18,933,296</u>	<u>51,828,597</u>
7. Trade and other Payables		
Trade Payables	6,986,590	16,326,962
Green leaf Creditors - Nyayo Tea Zones	80,678,050	92,778,951
Payroll Creditors	1,293,359	25,009,356
Accruals	1,000,000	168,103
	<u>89,957,999</u>	<u>134,283,372</u>
8. Shareholders Funds		
Authorised No. of Shares - 5,000 Shares		
Type of Shares - Ordinary Shares		
Par value per Share Ksh. 20 each		
Total No. of Shares Subscribed - 5,000 Shares		
Value of subscribed Shares - Ksh 100,000	100,000	100,000
Share Premium	1,227,264,318	1,227,264,318
Profit / (Loss) for the year	(19,376,618)	2,466,966
	<u>1,207,987,700</u>	<u>1,229,831,284</u>

22. APPENDIX I: IMPLEMENTATION STATUS AUDITOR-GENERAL PRIOR YEAR RECOMMENDATIONS

The following is a summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame which we expect the issues to be resolved.

Reference No. on the external audit report	Issue/Observation from auditor	Management Comments	Focal point person to resolve the issue (Name & Designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Inaccuracies in Financial Statements	The Cashflow statement Comparative balances wrongly presented	The Debtors and Prepayment, Creditors and Accruals, Stocks formula was wrong and the resultant balance was Ksh(51,888,544) and the net change in cash and cash equivalents was Ksh (20,969,646). This was corrected and the Balance of cash and cash equivalents was Ksh 20,969,646	CPA. Moses Wamae, Director Finance and Accounts	The wrong formula was corrected and the cash and cash equivalent balance of Ksh 20,969,646 was reported	This has been resolved
Misclassification of Assets	Solar powered street Lights balance of Ksh 1,911,722 included in Ksh 2,112,818 of Computers and Accessories	Solar powered street lights estimated life is three years and the depreciation rate is 33.33% similar to Computers and Accessories. The asset book value was correctly charged.	CPA. Moses Wamae, Director Finance and Accounts	Solar powered street lights has been shown on its own under Fixed Assets schedule, depreciated at 33.33%	Action has been taken the asset is removed from Computers and Accessories but depreciated on 33.33% basis
Inconsistencies In Disclosure of Board of Directors	The Chairman and the CEO were disclosed as the only BOD members.	Kipchabo is a wholly owned by Nyayo Tea Zones Development Corporation. BOD members provide oversight to all the subsidiaries of NTZDC under one sitting where issues of NTZDC are discussed	Dr. David Chepkwony, Chief Executive Officer	The Financial statements gave all the names of the BOD members and the Committees they serve in and the number of meetings held in the financial year	Its continuous
Lack of Internal Audit 3-year strategic plan	Contravention of Regulation 170 of PFM(National Treasury) Regulations, 2015	In order to align the Corporation's programmes to the Kenya Kwanza Government Manifesto, the Corporation was required to review its strategic plan mid-term. This process took longer than expected. Consequently, the conclusion of the internal audit strategic plan was affected and the plan shall be approved in the forthcoming Board Audit and Risk Committee meeting to be held in January 2025.	Mr. George Kamau – Deputy Director Internal Audit and Risk Management	The issue was resolved and we have the Internal Audit 3 Year Strategic plan	Its continuous



Dr. David Chepkwony, PhD
Chief Executive Officer

Date... 10/12/2025

23. APPENDIX II: PROJECTS IMPLEMENTED DURING THE YEAR

During the year under review, Gatitu Tea Factory Ltd did not implement any new projects. However, Gatitu Tea Factory Ltd concentrated in completion of existing projects notably the water intake project.



Dr. David Chepkwony, PhD
Chief Executive Officer

Date.. 10/12/2025

10/10/1911

11

Dear Sir,
I have the pleasure to acknowledge the receipt of your letter of the 10th inst.

and in reply to inform you that the same has been forwarded to the proper authorities for their consideration.

10/10/1911

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