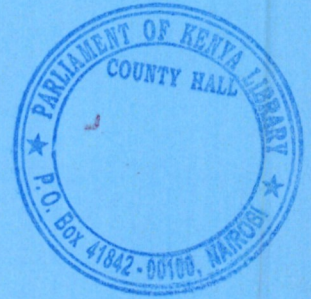
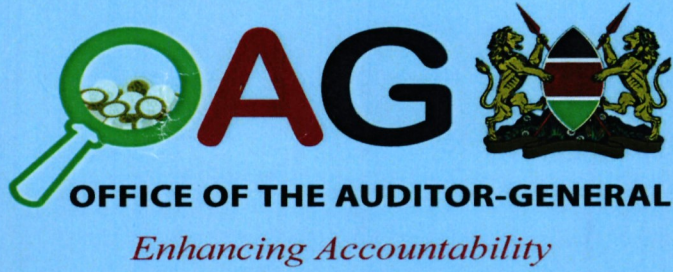


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY

DATE: 12 OCT 2022

Wednesday

PARLIAMENT
OF KENYA
LIBRARY

TABLED

BY:

OF

THE TABLE:

Lom

Miniam Modo

THE AUDITOR-GENERAL

ON

**NYAYO TEA ZONES DEVELOPMENT
CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2021**



NYAYO TEA ZONES DEVELOPMENT CORPORATION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

| Table of Contents | Page |
|---|-------------|
| I. KEY ENTITY INFORMATION | iii |
| II. THE BOARD OF DIRECTORS | v |
| III. MANAGEMENT TEAM | viii |
| IV. CHAIRMAN'S STATEMENT | ix |
| V. REPORT OF THE MANAGING DIRECTOR | xi |
| VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021 | xiii |
| VII. CORPORATE GOVERNANCE STATEMENT | xiv |
| VIII. MANAGEMENT DISCUSSION AND ANALYSIS | xv |
| IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING | xix |
| X. REPORT OF THE DIRECTORS | xxi |
| XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES | xxii |
| XII. REPORT OF THE INDEPENDENT AUDITORS ON NYAYO TEA ZONES DEVELOPMENT CORPORATION | xxiii |
| XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021. | 1 |
| XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 | 2 |
| XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021 | 7 |
| XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021 | 8 |
| XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021 | 9 |
| XVIII. NOTES TO THE FINANCIAL STATEMENTS | 9 |
| APPENDICES | |
| APPENDIX I Schedule of Investments | 18 |
| APPENDIX II PROGRESS ON FOLLOW UP ON AUDITOR RECOMMENDATIONS AS AT 30TH JUNE 2021. | 19 |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

I. KEY ENTITY INFORMATION

Background information

Nyayo Tea Zones Development Corporation through a Gazette notice LN265/1986 as a parastatal and is resident in Kenya, while it's wholly owned subsidiary (Kipchabo Tea Factory Ltd) is registered in Kenya under the companies Act (Cap.486) registration certificate number CPR/2010/33168. At cabinet level, the entity is represented by the Cabinet Secretary for Agriculture Livestock & Fisheries, who is responsible for the general policy and strategic direction of the entity. The entity is domiciled in Kenya and has 18 Zones in the tea growing regions in the country.

Principal Activity

The corporation principal activity is conservation of gazetted forests through establishment of tea buffers and fuelwood plantations.

Directors

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

| | | |
|------------------------------------|---|--|
| Prof. Elizabeth Pantoren | – Chairperson | -Appointed in Apr 2016 |
| Mr. Peter K. Korir | - Managing Director | - Appointed to the board in 2012 |
| Mr. Raymond Kemei | – Director | - Appointed in Oct 2015 |
| Prof. Geoffrey N. Mang'uriu (Eng.) | – Director | - Appointed in Dec 2018 |
| Ms. Sudi Mwakwambirwa | – Director | - Appointed in May 2019, left Jan 2021 |
| Mr. Andrew Nyanchoga | – Director | - Appointed in Dec 2018 |
| Mr. Julius Inyingi | – Director | - Appointed in Jan 2021 |
| Ms. Rukia Mohamed | – Director | - Appointed in Jan 2021 |
| Mr. Peter Kiagu | – Director (Alternate to Principal Secretary National Treasury) | |
| Mr. Sammy K. Keter | –Director | - Appointed in Dec 2018, left Dec 2020 |
| Mrs. Jacinta Ngwiri | - Director(Alternate to Principal Secretary Ministry of Agriculture) | appointed in Jan 2019, left Jan 2021 |
| Mr. David Kithale | - Director (Alternate to Principal Secretary Ministry of Agriculture) | appointed in Jan 2021 |

Legal Officer

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

Registered Office

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

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Corporate Headquarters

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

Corporate Contacts

Telephone: (254) 2217489, Mobile+254 722 509801
E-mail: info@teazones.co.ke
Website: www. teazones.co.ke

Corporate Bankers:

1. Kenya Commercial Bank Ltd
Kipande House Branch
P.O. Box 30012
NAIROBI
2. Credit Bank Plc
P O Box 61064 – 00200
Nairobi
3. UBA Kenya Bank Limited
P O Box 34154 – 00100
Nairobi

Independent Auditors

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




Principal Legal Advisers

1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

THE BOARD OF DIRECTORS



- Prof. Elizabeth Pantoren – Chairperson
 Mr. Peter K. Korir - Managing Director - appointed to the board in 2012
 Mr. Raymond Kemei – Member - appointed in Oct 2015, reappointed in Dec 2018
 Mr. Peter Kiagu – Member (Alternate to Principal Secretary National Treasury)
 Mr. Sammy K. Keter – Member - Appointed in Dec 2018, left Dec 2020
 Prof. Geoffrey N. Mang’uriu (Eng.) – Member - Appointed in Dec 2018
 Mr. Andrew Nyanchoga – Member - Appointed in Dec 2018
 Ms. Sudi Mwakwambirwa – Member - Appointed in May 2019 , left Jan 2021
 Mrs. Jacinta Ngwiri - Member (Alternate to Principal Secretary Ministry of Agriculture) appointed in Jan 2019, left Jan 2021
 Mr. David Kithale - Member (Alternate to Principal Secretary Ministry of Agriculture) appointed in Jan 2021
 Mr. Julius Inyngi – Member - appointed in Jan 2021
 Ms. Rukia Mohamed – Member - Appointed in Jan 2021

| | | |
|---|---|--|
| 1 |  <p>Professor Elizabeth Panteron – Chairperson</p> | <p>Prof. Elizabeth Pantoren (Ph.D.) holds BA in Sociology and MA Social Work & Social Development University of Nairobi and Ph.D. in Sociology - Kenyatta University. She has over 25 years of experience in leadership and management in wildlife and natural sectors attained while serving at Kenya Wildlife Service, where she joined as an undergraduate and rose through the ranks to senior management attaining the post of Head of Enforcement and Compliance Affairs and Community Enterprise Development Department respectively. She was a member of Climate Change Advisory Committee and Indigenous People of East African Climate Change Network.</p> |
| 2 |  <p>Mr. Peter K. Korir – Managing Director</p> | <p>Mr Peter Korir is 52 years and joined the board 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 23 years’ experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p> |
| 3 |  <p>Mr. Raymond Kemei – Independent Member</p> | <p>Mr. Kemei was appointed to the board in Oct 2015, reappointed in Dec 2018. He holds a MBA degree in strategic management and BA degree in economics. He also has a diploma in project management. He is currently a production manager with KTDA and has over 15-year experience in tea industry</p> |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021






| | | |
|---|--|---|
| 4 |  <p>Mr Andrew Nyanchoga – Independent Member</p> | <p>Mr. Andrew Nyanchoga joined the NTZDC Board in Dec 2018. He holds MSc degree in Human Resource Management from Manchester University (UK) and a BA from the University of Nairobi.</p> <p>He has more than experience of more than 30 years in human resource development and practice gained while working in various government ministries where he rose to the position of Director of Human Resources and Development in the Ministry of Education, State Department of Basic Education. His interests and areas of expertise include human resources planning, recruitment and placement of staff, performance appraisal, pay and benefits, discipline, schemes of service and career progression and implementation. He is currently a consultant in the HR field.</p> |
| 5 |  <p>Prof. (Eng.) Geoffrey N. Mang'uriu – Independent Member</p> | <p>Prof. Mang'uriu was Appointed in Dec 2018. He is an Engineer by profession and a holder BSc, Msc and Phd in Civil Engineering. He is a lecturer at JKUAT Department of Civil, Construction and Environmental Engineering. His areas of specialization include Civil Engineering /Structural and Construction Engineering, Research; University Teaching and Consultancies; Projects Design, Supervision; Monitoring and Evaluation (private, corporates and public sectors). He has over 30 years experience in teaching, research and consultancy.</p> |
| 6 |  <p>Mr. Paul Kiagu – Alternate Ps national Treasury & Planning</p> | <p>Mr Kiagu is the Alternate to Principal Secretary National Treasury has been a member of the Board since 2017 and is an economist by profession and holds BA and MA degrees in Economics from Kenyatta University. He has over 30 years experience.</p> |
| 7 |  <p>Mr Sammy Kipketer – Independent Member</p> | <p>Mr. Keter is 53 years old and was appointed to the board in December 2018 and left in December 2020. He is an Advocate of the High Court and Supreme Court of Kenya with. He has a Bachelor of Law (LLB) from Goa University and Bachelor of Commerce (B. Com) from University of Pune.</p> <p>He has more than 16 years' experience in government assisting in the development of Kenya's legislative framework having worked in state law office, Rural Electrification Authority and the County Government.</p> |

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

| | | |
|----|--|--|
| 8 |  <p>Ms. Sudi Mwakwambirwa- Independent Member</p> | <p>Ms. Sudi is 37 years old and was appointed in May 2019 ,and left Jan 2021. She is a Program Coordinator at Decent Work and Labour Rights Program. She holds a Masters Degree in Sociology.</p> |
| 9 |  <p>Mrs. Jacinta Ngwiri-Alternate PS Agriculture</p> | <p>Ms. Jacinta is 54 years old and was appointed to the Board in November 2018 and left in December 2020. She’s an assistant Director of Agriculture in the Ministry of Agriculture, Livestock, Fisheries and Corporative. She holds a MSc. degree in Food Security, Development Economics and Rural Development from University of Rome, Italy and BSc. in Agriculture from University of Nairobi. She has 17years of working experience at the grassroots (Districts), National and International level.</p> |
| 10 |  <p>Mr. Julius Inyingi - Independent Member</p> | <p>Mr. Julius Inyingi is an independent member and was appointed in Jan 2021. He has served is various positions in the public service including District Public Health Officer and Chairman of Meru Friends Sacco.</p> |
| 11 |  <p>Mr. David Kithale - Alternate PS Agriculture</p> | <p>Mr. David Kithale is Alternate to Principal Secretary Ministry of Agriculture and was appointed in Jan 2021. He holds a Masters Degree in Agricultural Economics from UoN. He previous served in the Board of Sisal Board of Kenya He also serves as Head Parliamentary Business Unit at Ministry of Agriculture.</p> |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

II. MANAGEMENT TEAM

| | | |
|---|---|---|
| 1 |  Peter K. Korir – Managing Director | <p>Mr. Peter Korir is 52 years and joined the board 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 23 years’ experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p> |
| 2 |  Samuel Njire – Head of Finance | <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 30 years’ experience in finance in both public and private institutions</p> |
| 3 |  Charles Mucheke – Head of Operations | <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 28 years’ experience in the tea industry.</p> |
| 4 |  William Togom – Head of Human Resource and Administration | <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 hold 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 24 years’ experience in human resource and administration.</p> |
| 5 |  David Chepkwony – Head of Commercial | <p>Mr. Chepkwony is 48 years old and 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 21 years’ experience in sales and marketing.</p> |

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

III. CHAIRMAN'S STATEMENT

I am pleased to present to you the Annual Report and financial statements of Nyayo Tea Zones Development Corporation for the year ended 30 June 2021. The Corporation was established through a Legal Gazette Notice No. 265 of 1986 as a State Corporation with the aim of promoting forest conservation by providing buffer zones of tea and assorted tree species to check against human encroachment into the forestland. The Corporation operates in nineteen zones in the tea growing area of Kenya. The Corporation operates in 19 zones which have formed protective buffer belts in eight (8) forest blocks across the country. The zones to the east of Rift valley are Kiambu, Muranga and Nyeri protecting the Aberdares Forest and Mathira, Kirinyaga, Embu, Meru South and Meru Central protecting Mt. Kenya Forest. The zones to the west of Rift Valley are Kericho, Olenguruone and Nyangores which protect the Mau, Transmara and Ol-Posumoru Forest Complex while North and South Nandi zones protect the Nandi Forest. Other zones in the west of Rift are Kakamega (protecting Kakamega forest), Kapsokwony (Mt. Elgon forest), Kapcherop (Cherangany forest) and Kaptarakwa (Kaptgat forest).

The operating environment in the financial year 2020/21 continued to be overshadowed by the effects of COVID 19 pandemic. The weather patterns in the tea growing regions were not as favorable compared to the previous year. The average rainfall in all regions were lower and as a result overall tea production reduced by 15%. Another significant development was the continued decline in tea prices which didn't recover from the previous year leading to depressed revenues.

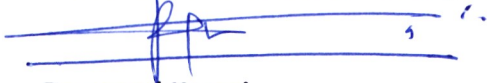
Despite these challenges the Corporation continued to discharge its mandate with resilience by adapting to the changing environment. We initiated modifications in line with the Government guidelines on management of COVID 19 including social distancing measures, mandatory wearing of face masks, regular hand washing and working in shifts among others. These measures enabled continuous operations and minimal disruptions and we were able to deliver our tea to the auction and our local markets. We continue to remain the champion in environmental conservation by focusing on investment in the community, value addition, rehabilitation of ecologically sensitive areas and cost control. We shall also seek to expand our markets by introduction of new brands and venturing to hitherto unexplored territories. We are hopeful the situation will improve owing to the major roll out of the vaccines worldwide which will bring back stability to the global economy.

Our plans to commission the second tea processing, Gatitu Tea Factory in Kirinyaga County in the during the year were also disrupted by COVID 19 pandemic. Logistical challenges brought about by the pandemic resulted in site closure and delay in critical areas of machinery installation. However, the challenges have been resolved and we expect to commission the factory in the next financial year. As reported previously, the Corporation has also been working with KALRO's Tea Research Institute on a joint venture to complete and operate a tea factory in Kericho County subject to necessary approvals by the National Treasury and other agencies. However the engagement was put on hold pending the changes in the Research Institute in line with the new

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

Tea Act. We shall also endeavor to collaborating with our partners in discharging our forest conservation mandate by applying appropriate technologies.

I am extremely grateful to all our staff for their dedication and commitment especially under the difficult circumstances brought about by COVID 19 pandemic. I also extend my gratitude for the invaluable support given by the Board of Directors and the Government for being committed to the Corporation's affairs. I also take this opportunity to appreciate our esteemed customers without who we could not have gone this far.



**Raymond Kemei
DIRECTOR**

Date.....30/09/2021.....

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

IV. REPORT OF THE MANAGING DIRECTOR

General

I am pleased to present to you the Annual Report and financial statements of Nyayo Tea Zones Development Corporation for the year ended 30 June 2021.

Financial Results

During the year, tea prices at the Mombasa Tea Auction did not recover from the lows recorded in the previous year. The revenue per kilogram received from green leaf declined by 4% to an average of Ksh. 31.3 compared to Ksh. 32.6 in the previous year. Consolidated revenues decreased by 12% to Ksh. 1,730 million compared to Ksh. 1,963 realised in the previous year, while revenues from sale of green leaf decreased by 16% to Ksh. 1,006 million compared to Ksh. 1,203 million in the previous year. On the other hand, direct costs decreased by 17% to Ksh. 989 million while indirect costs decreased marginally by 2% to Ksh. 690 million compared to the previous year. Overall, the Corporation recorded a consolidated pre-tax profit of Ksh. 78.4 million compared to a profit of Ksh. 95.8 million in the previous year.

Operations

Green leaf production declined by 15% to 31.5 million kilograms compared to the previous year which was attributed to reduction in rainfall during the year in our tea growing areas.

Kipchabo Tea Factory received 21.9 million Kgs of green leaf which is a decline of 15% compared 25.7 million Kgs in the previous year. Out of the total green leaf received by the factory, out growers contribution was 12.3 million Kgs which is 56% while the rest was collected from Nyayo Tea Zones in the factory catchment namely Nandi, Kakamega and Kaptarakwa Zones.

Processed tea volumes decreased by 13% to 4.9 million Kgs compared to 5.9 million Kgs in the previous year giving out-turn of 22% (2019/2020 - 22%).

Future Outlook

The onset of COVID 19 pandemic has drastically changed the business environment and this comes with new challenges which we shall continually address. We shall also embark on focusing on cost reduction as one of the ways of dealing with the depressed global prices that have taken longer to recover. The efforts by the national government aimed at vaccinating majority of the population will also help in opening up the economy which we expect to improve our domestic market. We also are grateful to the National Government for the reforms initiated in the tea sector which we hope will improve efficiency and increase earnings to tea farmers including ourselves. Our diversification into sales in domestic market initiated five years ago has continued to expand we shall continue to support the unit to boost our revenues.

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

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 management and staff I also wish to express my gratitude to the board and the Government for their commitment to the Corporation. With your support the corporation will continue to grow sustainably for the benefit of all stakeholders.



Peter Korir
MANAGING DIRECTOR

Date.....30/09/2021.....

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

**V. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY
2020/2021**

In the FY 2020/2021, Corporations projections and actuals are as stated here below.

| | Projections | Actual | Variance |
|-----------------------------------|-------------------------------------|-----------------------------------|-----------------|
| Green Leaf Production (Kgs) | 33,950,118 | 31,493,972 | (2,456,146) |
| | Current Year (2020/2021) | Prior year (2019/2020) | Variance |
| Green Leaf Production (Kgs) | 31,493,972 | 36,888,745 | (5,394,772) |
| Revenue (Ksh.) | 1,383,619,293 | 993,971,728 | (386,687,586) |

For the Corporation's wholly owned subsidiary, Kipchabo Tea Factory Ltd projections and actuals in FY 2020/2021 are as stated here below.

| | Projections | Actual | Variance |
|----------------------|--------------------|------------------|--------------------|
| Green Leaf | 27,226,315 | 21,855,292 | (5,371,023) |
| Made Tea Out turn | 6,262,052 23% | 4,881,376 22% | (1,380,675) -1% |
| Revenue | 1,380,659,314 | 967,129,620 | (413,529,694) |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

VII. 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 Corporation 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 Corporation 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.

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

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The Corporation's mission is focusses on conservation. The Conservation objectives include:

1. Establishment and management of Tea Buffer Belts to protect designated gazetted forests
2. Forest Establishment which includes establishment of fuelwood plantations, windbreaks and Protection of Environmentally Sensitive Areas through planting of indigenous trees
3. Stakeholder engagement

The Corporation has continued to manage the tea buffer belts in order to fulfill the buffer belts' conservation functions which include inter alia:

- Provision of a physical barrier which deters forest encroachment and ensures integrity of the forest boundaries
- Provision of alternative livelihoods to peri-forest communities to deter forest destruction and other illegal activities that would otherwise occur
- Provision of vigilance and surveillance on the forest through daily buffer belt management activities such as tea plucking, fuelwood plantation patrols, etc

At the end of the FY 2020/2021, the Corporation was managing buffer belts with a total length of 939km broken down as follows:

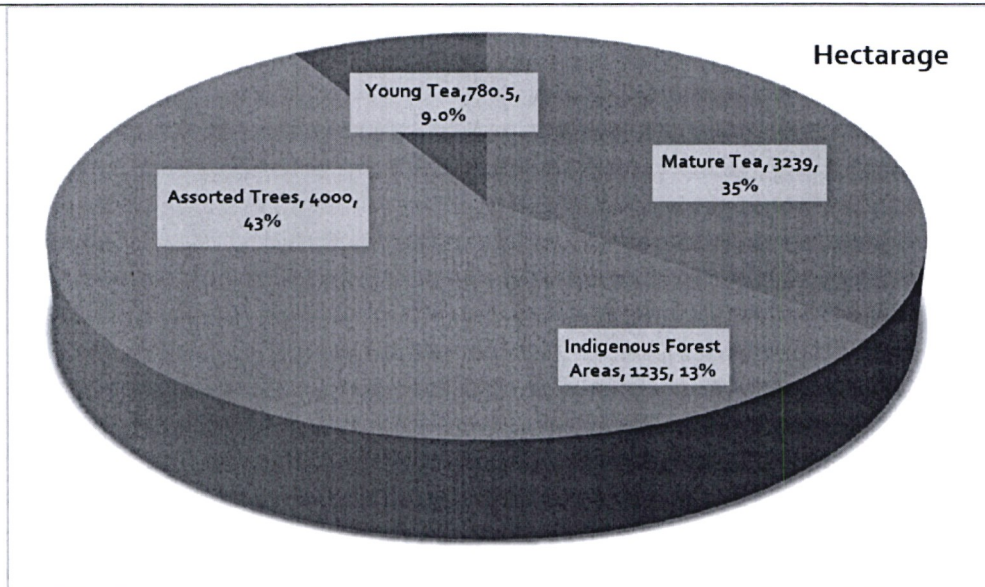
| FOREST RESERVE | AREA (HA) | BUFFER AREA (HA) | % OF PROTECTED FOREST AREA | LENGTH (KM) |
|---------------------------------------|------------------|------------------|----------------------------|-------------|
| ABERDARE | 149,822 | 1,093 | 0.73% | 109.3 |
| MT. KENYA | 213,082 | 1,302 | 0.61% | 130.2 |
| NYAMBENE | 5,391 | 113 | 2.09% | 11.25 |
| MAU COMPLEX | 400,000 | 1,293 | 0.32% | 129.3 |
| MT. ELGON | 127,000 | 1,021 | 0.80% | 102.1 |
| CHERANGANYI | 947,291 | 495 | 0.05% | 49.5 |
| KAKAMEGA | 19,792 | 807 | 4.08% | 80.7 |
| NANDI NORTH | 5,391 | 1,191 | 22.09% | 119.1 |
| NANDI SOUTH | 17,960 | 1,200 | 6.68% | 120 |
| KAPTAGAT | 12,801 | 735 | 5.74% | 73.5 |
| TOTAL | 1,898,530 | 9,250 | 0.49% | 925 |
| TOTAL FOREST COVER KENYA- 2021 | 4,294,700 | 9,250 | 0.22% | |

The Corporation's Estates

The Corporation's Estates is categorized in accordance to the land use where about 43% of total land is under tea while the remaining 57% is under assorted tree species.

This is illustrated in Figure I below.

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**



Distribution of Corporations Estate

The Corporation's Estate is distributed within the designated buffer belts as per Table I below, and during the quarter there was no change.

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

TABLE I: DISTRIBUTION OF TEA AND FOREST AREAS AS AT END
JUNE 2021 & VALUATION

| Forest Blocks | Zone | Area Under Tea (ha) | Area planted with Assorted Trees (ha) | Total (ha) Area planted under tea and forest | % Consolidated |
|----------------------|-----------------------|---------------------|---------------------------------------|--|----------------|
| ABERDARES | Kiambu | 180 | 436 | 616 | 11.7 |
| | Murang'a | 133 | 82 | 215 | |
| | Nyeri | 187 | 80 | 267 | |
| MT. KENYA & NYAMBENE | Mathira | 121 | 140 | 261 | 14.5 |
| | Kirinyaga | 244.5 | 42 | 286.5 | |
| | Embu | 180 | 62 | 242 | |
| | Meru South | 127 | 34 | 161 | |
| | Meru Central | 295 | 118 | 413 | |
| COMPLEX MAU | Olenguruone | 222 | 178 | 400 | 14.8 |
| | Nyangores | 176 | 97 | 273 | |
| | Kericho | 206 | 142 | 348 | |
| | Kuresoi | 235 | 0 | 235 | |
| KAKAMEGA | Kakamega | 262 | 584 | 846 | 9.0 |
| MT. ELGON | Kapsokwony/ Saboti | 240 | 800 | 1040 | 11.1 |
| CHERANGANI | Kapcherop | 143 | 370 | 513 | 5.5 |
| KAPTAGAT | Kaptarakwa | 190 | 612 | 802 | 8.5 |
| NANDI | Nandi North | 450 | 710 | 1160 | 24.9 |
| | Nandi South | 428 | 748 | 1176 | |
| TOTAL | | 4,019.5 | 5,235.0 | 9,254.5 | |
| PERCENTAGE | | 43.4 | 56.6 | 100 | 100 |

NB: Distribution of land use is based on data available during inception of the Corporation.

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

Agronomic Practices and Production

During the year 2020/2021, production was below the set target in several zones' due to inadequate rainfall, cold weather and lack of fertilizer application. There were incidences of hail damage in Kapsokwony, Saboti, Kapcherop, Nandi North, Nandi South, Kericho and Olenguruone. Some zones took time to recover from Mite's infestation especially Embu, Kapsokwony, Saboti, Kapcherop and parts of Kirinyaga.

Covid-19 pandemic health restrictions had some significant effect on field operations associated with preventive measures as per MoH guidelines, especially on revised curfew hours in the North & South Rift zones. Mobilization of plucking labour is also a big challenge due to reduced passenger vehicle capacities.

The following main agronomic activities were undertaken:

- Routine weed control.
- Fertilizer application.
- Green leaf production.

Weed Control

Minimal chemical and manual weeding were done in the year under review. Manual weeding was done in the young tea fields while the chemical weeding was done in mature tea fields and young tea above 1 year.

Fertilizer Application

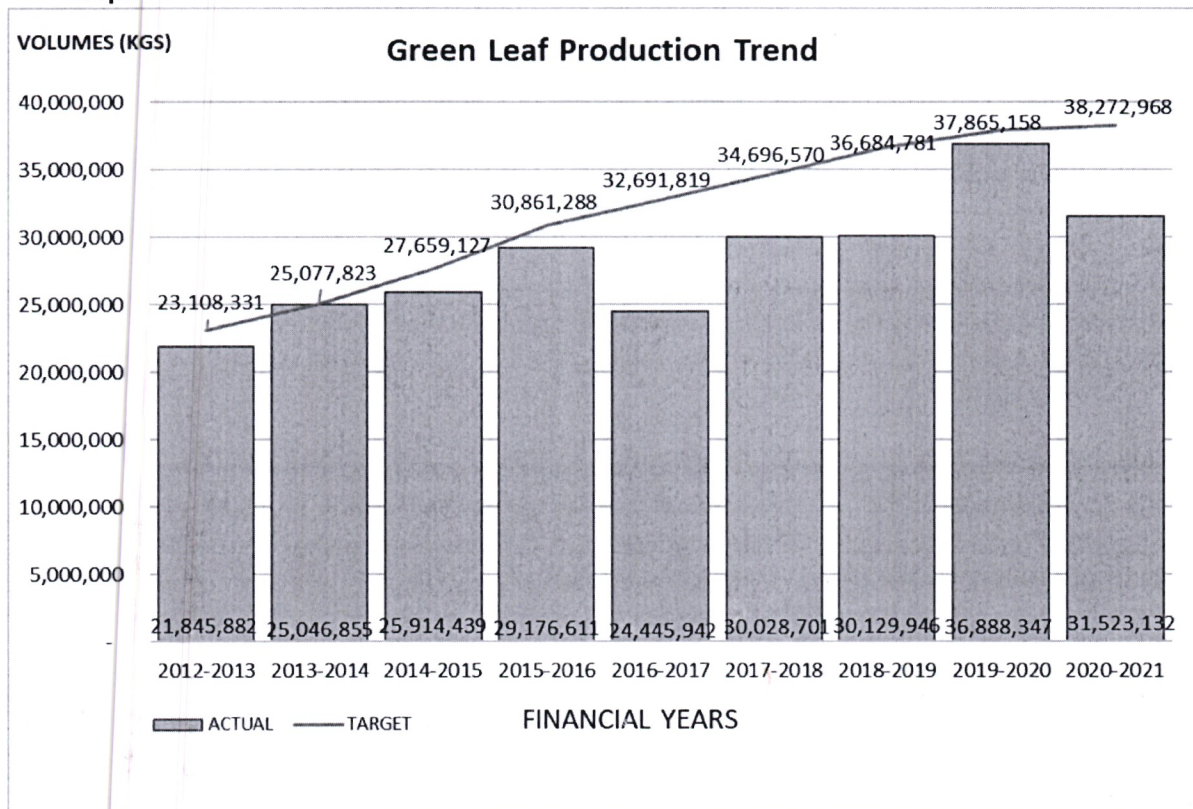
Fertilizer was not applied in the financial year 2020-2021 due to lack of supply by K.T.D.A. due to Covid-19 interruptions from the manufacturing countries.

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Figure : Green Leaf Production trend for the last Nine years (2012-2020)

Graph



Reasons for depressed performance/deviation in some zones during the year

Most of the zones performed below 80% of the target during the quyear due to unfavorable weather conditions and lack of fertilizer application. There was slow recovery of tea bushes affected by Mites in Kapsokwony, Saboti, Kapcherop, Embu, Kirinyaga while Nandi North, Kapsokwony, Saboti, Olenguruone, Kapcherop, Kericho and Kakamega was hit by hailstones. Kuresoi North and South zones are young tea farms below 5 years established under Mau project and have now recovered after rehabilitation after the stoppage of operations by KFS was lifted.

| Region | Zones | Reasons | Proposed Remedies |
|--------------|------------------------------|--|-----------------------------------|
| East of Rift | Embu Kirinyaga Mathira | <ul style="list-style-type: none"> Weather challenges (cold & dry weather affected shooting) Delayed recovery from mite's infection. | - Observe good agronomic practice |

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

| | | | |
|------------|---|---|---|
| | | | |
| South Rift | Olenguruone | <ul style="list-style-type: none"> • Hail damage • Cold weather | - Continue with good agronomic practices |
| North Rift | Kapsokwony, Saboti, Kapcherop, Kakamega Nandi North | <ul style="list-style-type: none"> • Weather challenges (cold & dry weather affected shooting) • Hail damage • Delayed recovery from mite infection. | <ul style="list-style-type: none"> - Observe good agronomic practices to assist crop recovery. - Breaking back for hail damaged fields & good agronomic practices |

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

X. REPORT OF THE DIRECTORS

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

i) Principal Activities

The corporation principal activity is conservation of gazetted forests through establishment of tea buffers and fuelwood plantations.

ii) Results

Below is summary of the profit or loss made during the year.

| | 2020/2021 (Ksh) | 2019/2020 (Ksh) |
|---------------------------------|------------------------|------------------------|
| Profit / (Loss) before tax | 78,432,968 | 95,775,468 |
| Net Profit/ (Loss) for the year | <u>78,432,968</u> | <u>95,775,468</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 members of the Board of Directors who served during the year are shown on page iii In accordance with The State Corporations Act, the directors are appointed by the Cabinet secretary and serve for a renewable term of three (3) years.

v) Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Peter Korir
Managing Director**

Date.....30/09/2021.....

XI. 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.



Raymond Kemei
Director



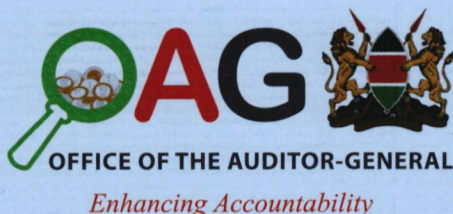
Peter Korir
Managing Director

Date 30/09/2021

Date 30/09/2021

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Nyayo Tea Zones Development Corporation set out on pages 1 to 20, which comprise of the consolidated

statement of financial position as at 30 June, 2021, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nyayo Tea Zones Development Corporation as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Nyayo Tea Zones Development Corporation Order of 2002 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

The consolidated statement of financial position and as disclosed in Note 8 to the financial statements reflects property, plant and equipment balance of Kshs.2,033,024,540. However, review of records revealed the following:

1.1 Fully Depreciated Motor Vehicles

The property, plant and equipment schedule provided indicated that sixty-one (61) serviceable motor vehicles had been fully depreciated with zero salvage value. This is contrary to Paragraphs 50 and 51 of the International Accounting Standard 16 which states that the depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life and that residual value and the useful life of an asset should be reviewed at least at each financial year end.

1.2 Land without Title Deeds

Further, and as previously reported, included in the property, plant and equipment balance is Kshs.327,224,021 in respect of net book value of land and buildings which excludes undetermined value of land under tea and fuel wood growing zones which lack ownership documents. This is contrary to Section 3(1)(b) and (c) of the Nyayo Tea Zones Development Corporation Order of 2002 which provides that after the creation of the tea and fuel wood growing zones, the land shall be vested and become the property of the Corporation for the purposes of the Order.

1.3 Encroached Land

As reported in the previous year, the land and buildings net book value of Kshs.327,224,021 excludes the value of one parcel of land located in Elgeyo Marakwet

County measuring 66 Hectares which is fully developed and with tea bushes and has been illegally excised by an individual. Management did not provide evidence on the action taken to recover the land.

In addition, included in the land and buildings balance is the value of bearer plants on land measuring 17.34 Hectares registered in the name of the Corporation in Elgeyo/Marakwet County. Information provided indicated that, a third party, made a claim that the land was allocated to him by the Government in 1999. Examination of records revealed that the National Land Commission carried out a valuation of the parcel of the land, assessed the value of the land including the tea bushes at Kshs.369,797,500 and advised the Corporation to pay the claimant. Management did not provide explanations on how the National Land Commission was enjoined in the dispute that resulted in the parcel of land being valued and the award of the amount of Kshs.369,797,500 despite the Corporation holding ownership documents. The matter has not been disclosed in the notes to the financial statements.

Consequently, the ownership, accuracy, completeness and valuation of the property, plant and equipment balance of Kshs.2,033,024,540 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, 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.

Responsibilities of Management and the 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Corporation'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 Corporation or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Corporation'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 overall 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 overall 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation'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 Corporation to cease 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 Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 August, 2022

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021.

| | Notes | 2020/2021 Kshs | 2019/2020 Kshs |
|--|-------|--------------------|--------------------|
| Revenue | 2 (a) | 1,730,476,675 | 1,963,327,950 |
| Cost of Production | 2 (b) | (989,002,235) | (1,185,717,926) |
| Gross Profit | | 741,474,441 | 777,610,024 |
| Employment Expenses | 3 (a) | (416,878,301) | (416,217,219) |
| Other Administration Expenses | 3 (b) | (62,755,286) | (55,490,687) |
| Board Expenses | 3 (c) | (7,970,212) | (11,470,108) |
| Other Operating Expenses | 4 | (182,514,558) | (195,079,277) |
| | | (670,118,357) | (678,257,291) |
| Operating Profit Before finance Costs | | 71,356,084 | 99,352,733 |
| Finance Costs | 5 | (20,040,305) | (27,198,402) |
| Profit before Exceptional Item | | 51,315,779 | 72,154,331 |
| Other income | 2(c) | 27,117,189 | 23,621,137 |
| Net profit/(loss) for theyear | | 78,432,968 | 95,775,468 |
| Proposed Dividends | | 3,921,648 | 4,788,773 |


Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | Notes | 2020/2021 Kshs | 2019/2020 Kshs |
|-------------------------------------|-------|----------------------|----------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Biological Assets | 6 | 827,348,918 | 810,360,952 |
| Bearer Plants | 7 | 1,994,094,808 | 1,888,493,268 |
| Property, Plant & Equipments | 8 | 2,033,024,540 | 1,992,936,247 |
| Long Term Investments | 9 | 69,844,479 | 68,487,214 |
| Total Non-Current Assets | | 4,924,312,744 | 4,760,277,681 |
| Current Assets | | | |
| Inventories | 10 | 155,633,853 | 215,107,871 |
| Trade & Other Receivables | 11 | 604,636,792 | 619,183,797 |
| Cash & Cash Equivalents | 12 | 112,016,859 | 145,149,892 |
| Total Current Assets | | 872,287,503 | 979,441,560 |
| Total Assets | | 5,796,600,248 | 5,739,719,241 |
| EQUITY AND LIABILITIES | | | |
| General Fund | | | |
| Accumulated Fund/Shareholding | 13 | 1,569,068,970 | 1,427,068,969 |
| Donor Grants | 13 | 741,760,713 | 741,760,713 |
| Reserves | 13 | 2,962,765,588 | 2,888,254,268 |
| Proposed Dividend | | 3,921,648 | 4,788,773 |
| | | 5,277,516,919 | 5,061,872,723 |
| Long Term Loans | | | |
| Commercial Bank Loans | 14 | 60,931,241 | 201,034,012 |
| | | 60,931,241 | 201,034,012 |
| Current Liabilities | | | |
| Long Term Loan due within the year | 14 | 136,144,042 | 139,132,102 |
| Trade Creditors | 15 | 227,193,204 | 249,592,412 |
| Accruals | 16 | 94,814,842 | 88,087,991 |
| | | 458,152,087 | 476,812,505 |
| Total Equity and Liabilities | | 5,796,600,248 | 5,739,719,241 |

The financial statements were approved by the Board of Directors on 30/09/2021
and were signed on its behalf by:-


Peter Korir
Managing Director


Raymond Kemei
Director

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | 2020/2021 | 2019/2020 |
|---------------------------------------|----------------------|----------------------|
| ASSETS | Kshs | Kshs |
| Non-Current Assets | | |
| Biological Assets | 827,348,918 | 810,360,952 |
| Property, Plant & Equipments | 1,315,615,092 | 1,218,068,810 |
| Bearer | 1,994,094,808 | 1,888,493,268 |
| Long Term Investments | 879,115,997 | 877,758,732 |
| | 5,016,174,815 | 4,794,681,763 |
| Current Assets | | |
| Stocks | 31,962,910 | 47,784,819 |
| Debtors & Prepayments | 520,756,584 | 601,542,303 |
| Cash & Cash Equivalentents | 105,035,574 | 129,242,596 |
| | 657,755,068 | 778,569,718 |
| Total Assets | 5,673,929,884 | 5,573,251,481 |
| GENERAL FUND & LIABILITIES | | |
| General Fund | | |
| Accumulated Fund | 1,569,068,970 | 1,427,068,970 |
| Donor Grants | 741,760,713 | 741,760,713 |
| Reserves | 2,933,917,961 | 2,855,156,109 |
| | 5,244,747,644 | 5,023,985,792 |
| Long Term Loans | | |
| Commercial Bank Loans | 60,931,241 | 201,034,012 |
| | 60,931,241 | 201,034,012 |
| Current Liabilities | | |
| Long Term Loan due within the year | 136,144,042 | 139,132,102 |
| Trade Creditors | 200,486,420 | 124,025,737 |
| Accruals | 31,620,537 | 85,073,838 |
| | 368,250,999 | 348,231,677 |
| General Fund and Liabilities | 5,673,929,884 | 5,573,251,481 |

Nyayo Tea Zones Development Corporation

Annual Reports and Financial Statements

For the year ended June 30, 2021

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

| | 2020/2021 | 2019/2020 |
|--|----------------------|----------------------|
| | Kshs | Kshs |
| Turnover | 1,006,126,645 | 1,203,196,345 |
| Cost of Production | <u>(439,293,855)</u> | <u>(578,432,127)</u> |
| Gross Profit | 566,832,789 | 624,764,218 |
| Employment Expenses | (334,384,086) | (341,337,081) |
| Administrative Expenses | (29,367,419) | (26,301,694) |
| Board Expenses | (7,970,212) | (11,470,108) |
| Other Operating Expenses | <u>(117,487,373)</u> | <u>(126,510,846)</u> |
| | (489,209,090) | (505,619,730) |
| Operating Profit Before finance Costs | 77,623,699 | 119,144,489 |
| Finance Costs | <u>(20,040,305)</u> | <u>(27,198,402)</u> |
| Profit before Exceptional Item | 57,583,395 | 91,946,087 |
| Other income | <u>25,967,231</u> | <u>22,339,433</u> |
| Net profit/(loss) for theyear | 83,550,625 | 114,285,520 |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

**KIPCHABO TEA FACTORY LIMITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

| | Notes | 2020/2021 Ksh. | 2019/2020 Ksh. |
|-----------------------------------|-------|--------------------|--------------------|
| <u>FIXED ASSETS</u> | | | |
| Property, Plant & Equipment | 3 | 717,409,447 | 774,867,436 |
| <u>CURRENT ASSETS</u> | | | |
| Inventories | 4 | 123,670,943 | 167,323,052 |
| Trade Receivables | 6 | 408,358,888 | 498,802,402 |
| Cash & Bank Balances | 5 | 6,981,284 | 15,907,296 |
| TOTAL CURRENT ASSETS | | 539,011,116 | 682,032,750 |
| <u>CURRENT LIABILITIES</u> | | | |
| Trade & Other Payables | 7 | 414,379,769 | 609,741,736 |
| TOTAL CURRENT LIABILITIES | | 414,379,769 | 609,741,736 |
| NET CURRENT ASSETS | | 124,631,346 | 72,291,014 |
| TOTAL NET ASSETS | | 842,040,794 | 847,158,450 |
| <u>FINANCED BY</u> | | | |
| Ordinary Shares | 8 | 100,000 | 100,000 |
| Share Premium | 8 | 809,171,518 | 809,171,518 |
| Accumulated Profit | 8 | 32,769,276 | 37,886,932 |
| TOTAL CAPITAL | | 842,040,794 | 847,158,450 |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

**KIPCHABO TEA FACTORY LIMITED STATEMENT OF PROFIT & LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021.**

| | Notes | 2020/2021 Kshs | 2019/2020 Kshs |
|--|-------|----------------------|----------------------|
| Turnover | 2 (a) | 938,070,200 | 1,037,086,340 |
| Cost of Production | 2 (b) | <u>(763,428,548)</u> | <u>(884,240,533)</u> |
| Gross Profit | | 174,641,651 | 152,845,806 |
| Administrative Expenses | 2 (c) | (33,387,867) | (29,188,993) |
| Other Operating Expenses | 2 (d) | (65,027,185) | (68,568,431) |
| Employment Expenses | 2 (e) | <u>(82,494,215)</u> | <u>(74,880,137)</u> |
| Operating Profit Before finance Costs | | (6,267,616) | (19,791,756) |
| Finance Costs | 2 (e) | <u>-</u> | <u>-</u> |
| Profit before Exceptional Item | | (6,267,616) | (19,791,756) |
| Other income/(Exchange Loss) | 2(g) | <u>1,149,959</u> | <u>1,281,704</u> |
| Net profit/(loss) for the year | | (5,117,657) | (18,510,052) |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENED 30 JUNE 2021
2020/2021

| | Accumulated Fund Kshs | Donor Grants Kshs | Revenue Reserves Kshs | Total Kshs |
|-------------------------------|--------------------------------------|----------------------------------|--------------------------------------|-----------------------|
| As at 30 June 2019 | 1,327,068,970 | 741,760,713 | 2,797,267,574 | 4,866,097,256 |
| GOK Capital Contribution | 100,000,000 | | | 100,000,000 |
| Net Profit for the year | | | 95,775,468 | 95,775,468 |
| Proposed Dividend 2019/2020** | | | (4,788,773) | (4,788,773) |
| As at 30 June 2020 | 1,427,068,970 | 741,760,713 | 2,888,254,268 | 5,057,083,951 |
| GOK Capital Contribution | 142,000,000 | | | 142,000,000 |
| Net Profit for the year | | | 78,432,968 | 78,432,968 |
| Proposed Dividend 2020/2021** | | | (3,921,648) | (3,921,648) |
| As at 30th June 2021 | 1,569,068,970 | 741,760,713 | 2,962,765,588 | 5,273,595,271 |

2019/2020

| | Accumulated Fund Kshs | Donor Grants Kshs | Revenue Reserves Kshs | Total Kshs |
|-------------------------------|--------------------------------------|----------------------------------|--------------------------------------|-----------------------|
| As at 30 June 2018 | 1,307,068,970 | 741,760,713 | 2,869,206,973 | 4,918,036,656 |
| GOK Capital Contribution | 20,000,000 | | | 20,000,000 |
| Net Profit for the year | | | (71,939,400) | (71,939,400) |
| As at 30 June 2019 | 1,327,068,970 | 741,760,713 | 2,797,267,574 | 4,866,097,256 |
| GOK Capital Contribution | 100,000,000 | | | 100,000,000 |
| Net Profit for the year | | | 95,775,468 | 95,775,468 |
| Proposed Dividend 2019/2020** | | | (4,788,773) | (4,788,773) |
| As at 30th June 2020 | 1,427,068,970 | 741,760,713 | 2,888,254,268 | 5,057,083,951 |

**Dividends to National Treasury or charged to Equity in the period in which they are declared. The Corporation has a dividend policy of 5% on Net Profits.

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020/2021 Kshs | 2019/2020 Kshs |
|---|-----------|----------------------|----------------------|
| Cashflow from Operating Activities | | | |
| Operating Profit (Loss) | | 78,432,968 | 95,775,468 |
| Dividend income | 2 (c) | (13,109,585) | (12,954,875) |
| Exchange loss | 2 (c) | 377,908 | 1,813,331 |
| Depreciation of Fixed Assets | 8 | 93,729,657 | 107,295,539 |
| Amortization | 7 | 59,650,419 | 59,650,419 |
| Interest Income | 2 (c) | (10,773,076) | (9,384,558) |
| Interest paid | 5 | 19,662,397 | 25,385,070 |
| Gain on disposal of fixed assets | 2 (c) | (2,003,000) | - |
| Profit Before Working Capital Changes | | 227,970,689 | 267,580,396 |
| (Decrease) / Increase in Debtors & Prepayments | 11 | 14,547,006 | 50,426,250 |
| Increase / (Decrease) in Creditors & Accruals | 15 | (18,660,418) | (38,704,828) |
| Increase in Stock | 10 | 15,821,910 | (14,821,306) |
| Increase in Stock - Kipchabo | 10 | 43,652,108 | (17,618,017) |
| Net Changes in working Capital | | 55,360,606 | (20,717,900) |
| Net Cash Generated from Operating Activities | | 283,331,295 | 246,862,496 |
| Cashflows used in Investing Activities | | | |
| Dividends received | 2 (c) | 13,109,585 | 12,954,875 |
| Long-Term Investment in K.T.D.A Factories | 9 | (1,357,265) | (1,440,529) |
| Bearer plants costs | 7 | (165,251,959) | (126,553,277) |
| Purchase of Fixed Assets | 8 | (133,912,358) | (276,430,726) |
| Direct acquisition of biological assets | 6 | (16,987,966) | (8,183,737) |
| Interest Income | 2 (c) | 10,773,076 | 9,384,558 |
| Proceeds from disposal of fixed assets | 2 (c) | 2,003,000 | - |
| Net Cash (Used) in Investing Activities | | (293,626,887) | (390,268,837) |
| Cashflows (Used) in Financing Activities | | | |
| GOK Contribution | | 50,000,000 | 100,000,000 |
| Commercial Bank Loans Disbursement | 14 | 78,359,792 | 236,619,981 |
| Commercial Bank Loans Loan Repayment | 14 | (131,156,928) | (162,916,861) |
| Interest Paid | 5 | (19,662,397) | (25,385,070) |
| Net Cash from/(Used) in Financing Activities | | (22,459,533) | 148,318,050 |
| Net Increase in Cash and Cash Equivalents | | (32,755,125) | 4,911,709 |
| Movement in Cash and Cash Equivalents | | | |
| At 1 July 2020 | 12 | 145,149,892 | 142,051,514 |
| Effect of exchange gain on cash & cash equivalent | 5 | (377,908) | (1,813,331) |
| Increase/(Decrease) in the year | | (32,755,125) | 4,911,709 |
| At 30 Jun 2021 | 12 | 112,016,859 | 145,149,892 |

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

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilisation |
|-----------------------------------|----------------------|-------------|----------------------|----------------------------|------------------------|------------------|
| | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 |
| Revenues | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Factory Sales | 1,668,063,416 | - | 1,668,063,416 | 938,070,200 | (729,993,217) | 56% |
| Green Leaf Sales | 1,383,619,293 | - | 1,383,619,293 | 993,971,728 | (389,647,565) | 72% |
| Transport refund | 10,185,035 | - | 10,185,035 | 12,154,916 | 1,969,881 | 119% |
| Interest Income | 23,138,186 | - | 23,138,186 | 10,773,076 | (12,365,110) | 47% |
| Dividends from KTDA factories | 1,750,129 | - | 1,750,129 | 13,109,585 | 11,359,456 | 749% |
| Miscellaneous Income | 2,000,000 | - | 2,000,000 | 3,234,529 | 1,234,529 | 162% |
| Total Income | 3,088,756,060 | - | 3,088,756,060 | 1,971,314,033 | (1,117,442,027) | 64% |
| Expenses | | | | | | |
| Plantation Labour | 421,477,181 | - | 421,477,181 | 341,097,328 | 80,379,853 | 81% |
| Farm Inputs | 141,015,076 | - | 141,015,076 | 38,228,897 | 102,786,179 | 27% |
| Transport | 60,672,086 | - | 60,672,086 | 58,761,976 | 1,910,110 | 97% |
| KTDA Charges | 13,836,193 | - | 13,836,193 | 1,205,655 | 12,630,538 | 9% |
| Factory Cost of Sales | 1,359,862,076 | - | 1,359,862,076 | 763,428,548 | 596,433,528 | 56% |
| Employment expenses | 560,671,599 | - | 560,671,599 | 416,878,301 | 143,793,297 | 74% |
| Advertising Marketing & Publicity | 38,300,000 | - | 38,300,000 | 204,873 | 38,095,127 | 1% |
| Directors' Expenses | 26,198,364 | - | 26,198,364 | 7,970,212 | 18,228,152 | 30% |
| Donations | 500,000 | - | 500,000 | 150,400 | 349,600 | 30% |
| Audit fees | 3,000,000 | - | 3,000,000 | 1,500,000 | 1,500,000 | 50% |
| Printing & Stationery | 4,820,848 | - | 4,820,848 | 3,423,463 | 1,397,385 | 71% |
| Telephone & Postage | 7,285,988 | - | 7,285,988 | 6,972,258 | 313,730 | 96% |
| Publications & Periodicals | 1,200,000 | - | 1,200,000 | 1,014,138 | 185,862 | 85% |
| General Office Expenses | 3,373,201 | - | 3,373,201 | 243,221 | 3,129,980 | 7% |
| Transport Operating | 10,294,820 | - | 10,294,820 | 6,529,108 | 3,765,712 | 63% |
| Legal & Professional | 16,200,000 | - | 16,200,000 | 5,964,728 | 10,235,272 | 37% |
| Cleaning | 1,772,000 | - | 1,772,000 | 880,187 | 891,813 | 50% |
| Bank charges | 3,076,000 | - | 3,076,000 | 2,485,042 | 590,958 | 81% |
| Kipchabo Admin Exps | 56,664,540 | - | 56,664,540 | 33,387,867 | 23,276,673 | 59% |
| Rent & Rates | 3,300,000 | - | 3,300,000 | 3,152,235 | 147,765 | 96% |
| Light & Water | 2,294,824 | - | 2,294,824 | 877,505 | 1,417,319 | 38% |
| Repairs & Maintenance | 7,943,494 | - | 7,943,494 | 7,087,569 | 855,926 | 89% |
| Licences | 6,300,000 | - | 6,300,000 | 6,211,501 | 88,499 | 99% |
| Insurance | 18,926,121 | - | 18,926,121 | 6,633,022 | 12,293,099 | 35% |
| Security | 4,021,680 | - | 4,021,680 | 2,291,938 | 1,729,742 | 57% |
| Depreciation | 45,270,383 | - | 45,270,383 | 31,583,185 | 13,687,198 | 70% |
| Amortization | 64,290,076 | - | 64,290,076 | 59,650,419 | 4,639,656 | 93% |
| Kipchabo Operating Expenses | 90,131,198 | - | 90,131,198 | 65,027,185 | 25,104,013 | 72% |
| Finance Costs | 35,450,000 | - | 35,450,000 | 20,040,305 | 15,409,695 | 57% |
| Total Expenditure | 3,008,147,747 | - | 3,008,147,747 | 1,892,881,065 | 1,115,266,681 | 63% |
| Surplus for the period | 80,608,313 | | 80,608,313 | 78,432,968 | (2,175,345) | 97% |

Notes

(1) Actual Total income was lower than budgeted due to lower production occasioned by unfavourable weather conditions, tea price decline in global markets and effects of COVID-19 Pandemic among other reasons

(2) The Corporation managed to keep costs within budget despite harsh economic conditions from effects of COVID-19 Pandemic and rising prices of major inputs

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Statement of compliance and basis of preparation

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS), Companies Act, Public Finance Management Act and the State Corporations Act. The financial statements have been prepared on a historical cost basis. It also requires management to exercise judgment 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 Nyayo Tea Zones Development Corporation. The accounting policies adopted have been consistently applied to all the years presented.

(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 intercompany 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. Assets are depreciated for full year in the year of acquisition while no depreciation is charged in the year of disposal. The annual depreciation rates in use are: -

| | | | |
|-------------------|-------|----------------------|-------|
| Factory Buildings | 2% | Tractors & Trailers | 33.3% |
| Factory Machinery | 6.65% | Furniture & Fixtures | 12.5% |
| Office Equipment | 20% | Computers | 33.3% |
| Motor Vehicles | 20% | Farm Tools | 33.3% |

(e) Bearer Plants

Bearer plants are measured as property plant and equipment and amortized at 5% annually on straight line. Before maturity bearer plants are measured at accumulated cost and reported as work-in-progress (WIP). After maturity WIP is transferred to mature bearer plants at the accumulated cost and depreciated over the expected useful life of 20 years.

(f) Inventories

Finished Tea and Other inventories are stated at cost which is determined on the weighted average basis. 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 at the weighted average cost less provisions for obsolescence, slow moving and defective stocks.

(g) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

(h) Trade Payables (Creditors) and Accruals

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 payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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.

(i) 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.

(j) Consolidation

The financial statements for year ending 30 June 2021 have been consolidated with those of the subsidiary company (Kipchabo Tea Factory Ltd) which is wholly owned by the Corporation.

(k) 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.

(l) Related Party disclosures

The corporation is involved in processing of Green leaf tea by its fully owned company (Kipchabo Tea Factory Ltd).

(m) Biological Assets

Biological assets are measured on initial recognition and at each reporting date at fair value less cost to sell. Costs to sell include all costs that would be necessary to sell the assets including transportation costs. Any changes to the fair value are recognised in profit or loss in the period in which they arise.

(n) Contingent Liabilities

In line with IAS 37, Clause 19 which states *"An entity should not recognize a contingent liability. An entity should disclose a contingent liability, unless the possibility of the outflow of resources embodying economic benefits is remote"* the Corporation does not recognize a contingent liability hence the disclosure of two contingences.

- i. Lawsuit Case No. 120 of 2018 Eldoret ELRC, Silvester K. Kaitany -Vs-Nyayo Tea Zones Development Corporation. An individual in Elgeyo Marakwet County one Silvester Kaitany has laid claim to the Corporation's land measuring 17.34 hectares who claims he was allocated the land in 1999. The plaintiff has claimed for General damages for ksh. 98,120,000 on loss of profits plus Ksh. 16,000,000 Special damages on trees that were on the land. The high court ruled in favour of the plaintiff and the Corporation appealed in the Court of appeal. The matter is pending.
- ii. Constitution Case No. 7 of 2016, Beatrice Wanjiru & Others Versus Hon. Attorney General & Nyayo Tea Zones Development Corporation. During the initial days of the Corporation establishment in 1980s, the Government tasked the then provincial administration to engage casuals to clear fields for planting tea. A group of individuals who worked as casual workers during the establishment sued the Corporation claiming they were not paid their dues amounting to ksh.500 million. The Corporation filed its defense and upon determination their case was dismissed by the High Court. The claimants filed an appeal in the Court of Appeal Case No. 79 Of 2018 at Nyeri which is ongoing. The Corporation management has no reason to believe that the disposition of this case will have a material adverse effect on the financial position of the Corporation.

(o) Details of Events after reporting Date

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

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continues)

| 2 (a) Revenue | 2020/2021 | 2019/2020 |
|--------------------------------------|-----------------------------|-----------------------------|
| | Kshs | Kshs |
| Green Leaf Sales | 993,971,728 | 1,188,651,371 |
| Less Intercompany (Kipchabo Factory) | (213,720,169) | (276,954,735) |
| Sale of Finished Tea | 938,070,200 | 1,037,086,340 |
| Transport refund | 12,154,916 | 14,537,246 |
| Fuelwood sales | - | 7,728 |
| | <u>1,730,476,675</u> | <u>1,963,327,950</u> |

Green leaf sales relates to sale of green leaf to various KTDA factories and the transport refund which accrue to the Corporation on all green leaf delivered by Corporation fleet.

2 (b) Cost of Production

| | | |
|---|---------------------------|-----------------------------|
| Plantation Labour | 341,097,328 | 391,672,256 |
| Farm Inputs | 38,228,897 | 135,175,223 |
| Transport | 58,761,976 | 50,341,141 |
| KTDA Charges | 1,205,655 | 1,243,506 |
| Kipchabo Tea factory cost of Production | 763,428,548 | 884,240,533 |
| Less Intercompany (Kipchabo Factory) | (213,720,169) | (276,954,735) |
| | <u>989,002,235</u> | <u>1,185,717,926</u> |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

| 2 (c) Other Income | 2020/2021 Kshs | 2019/2020 Kshs |
|--|---------------------------------|---------------------------------|
| Interest Income | 10,773,076 | 9,384,558 |
| Dividends from KTDA factories | 13,109,585 | 12,954,875 |
| Miscellaneous Income | 2,084,570 | - |
| Kipchabo Tea Factory Ltd Other Income/(Loss) | 1,149,959 | 1,281,704 |
| | <u>27,117,189</u> | <u>23,621,137</u> |

This relates to income from treasury bills interest, interest earned on bank deposits, dividends from investments in KTDA factories and sale of tenders.

3. Administrative Expenses

(a) Employment expenses

| | | |
|--|---------------------------|---------------------------|
| Salaries and wages | 171,632,947 | 157,707,020 |
| House Allowance | 35,306,300 | 36,313,613 |
| Leave Allowance | 4,894,267 | 4,229,582 |
| Commuter & Other allowances | 42,087,793 | 54,253,248 |
| Medical Allowance | 29,875,467 | 38,949,797 |
| Staff Welfare | 7,557,553 | 3,762,195 |
| Social Security Expenses | 17,956,613 | 17,692,417 |
| Staff Uniforms | 122,567 | 1,759,764 |
| Staff Training | 2,113,631 | 3,564,117 |
| Travelling & Subsistence | 22,836,948 | 23,105,328 |
| Kipchabo Tea Factory Employment Expenses | 82,494,215 | 74,880,137 |
| | <u>416,878,301</u> | <u>416,217,219</u> |

(b) Other administration expenses

| | | |
|--|--------------------------|--------------------------|
| Advertising Marketing & Publicity | 204,873 | 465,266 |
| Donations | 150,400 | - |
| Audit fees | 1,500,000 | 1,500,000 |
| Printing & Stationery | 3,423,463 | 2,687,663 |
| Telephone & Postage | 6,972,258 | 6,380,160 |
| Publications & Periodicals | 1,014,138 | 909,370 |
| General Office Expenses | 243,221 | 4,080,377 |
| Transport Operating | 6,529,108 | 5,593,460 |
| Legal & Professional | 5,964,728 | 1,587,616 |
| Cleaning | 880,187 | 734,266 |
| Bank charges | 2,485,042 | 2,363,516 |
| Kipchabo Tea Factory Administration Expenses | 33,387,867 | 29,188,993 |
| | <u>62,755,286</u> | <u>55,490,687</u> |

(c.) Directors' Expenses

| | | |
|----------------|-----------|------------|
| Board Expenses | 7,970,212 | 11,470,108 |
|----------------|-----------|------------|

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021**

NOTES TO THE FINANCIAL STATEMENTS

| | 2020/2021 Kshs | 2019/2020 Kshs |
|---|--------------------|--------------------|
| 4. Other operating expenses | | |
| Establishment: | | |
| Rent & Rates | 3,152,235 | 2,839,137 |
| Light & Water | 877,505 | 1,153,929 |
| Repairs & Maintenance | 7,087,569 | 4,450,972 |
| Licences | 6,211,501 | 2,725,822 |
| Insurance | 6,633,022 | 11,573,495 |
| Security | 2,291,938 | 2,473,926 |
| Depreciation | 31,583,185 | 41,643,146 |
| Amortization | 59,650,419 | 59,650,419 |
| Kipchabo Factory Ltd Other operating expenses | 65,027,185 | 68,568,431 |
| Total Expenses | 182,514,558 | 195,079,277 |
| 5. Finance Cost | | |
| Exchange Gain/ (Loss) | 377,908 | 1,813,331 |
| Interest on Commercial Bank Loans | 19,662,397 | 25,385,070 |
| | 20,040,305 | 27,198,402 |

Operating Profit

The following items have been charged in arriving at the operating profit.

| | | |
|-----------------------------------|------------|------------|
| Depreciation | 31,583,185 | 41,643,146 |
| Amortization | 59,650,419 | 59,650,419 |
| Auditor's Remuneration | 1,500,000 | 1,500,000 |
| Kipchabo Factory Ltd Depreciation | 62,146,472 | 65,652,393 |

| | 2019/2020 Forest Kshs | 2019/2020 Forest Kshs |
|-----------------------------|-----------------------------|-----------------------------|
| Balance as at 1st July 2020 | 810,360,952 | 802,177,215 |
| Changes in value | 16,987,966 | 8,183,737 |
| 30th Jun 2021 | 827,348,918 | 810,360,952 |

7. Property Plant & Equipment

7 Property, Plant & Equipment - Bearer Plants (Tea Plantations)

| | Tea Kshs | Work-in progress tea Kshs | Total Kshs |
|-----------------------------|----------------------|------------------------------|----------------------|
| Balance as at 1st July 2020 | 1,193,008,389 | 971,655,945 | 2,164,664,335 |
| Additions | - | 165,251,959 | 165,251,959 |
| Transfer | - | - | - |
| 30 Jun 2021 | 1,193,008,389 | 1,136,907,904 | 2,329,916,294 |
| Depreciation | | | |
| Balance as at 1st July 2020 | 276,171,066 | - | 276,171,066 |
| Charge for the year | 59,650,419 | - | 59,650,419 |
| 30 Jun 2021 | 335,821,486 | - | 335,821,486 |
| 30 Jun 2021 | 857,186,904 | 1,136,907,904 | 1,994,094,808 |
| 30th June 2020 | 916,837,323 | 971,655,945 | 1,888,493,268 |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS
8. PROPERTY, PLANT AND EQUIPMENT

| 2020/2021 | Land & Buildings Kshs | Work in Progress* Kshs | Factory Buildings Kshs | Factory Machinery Kshs | Furniture & Fixtures Kshs | Office Equipment Kshs | Computers & Assessorises Kshs | Tractors & Trailers Kshs | Motor Vehicles Kshs | Farm Tools & Implements Kshs | Total Kshs |
|---|--------------------------|---------------------------|------------------------------|------------------------------|------------------------------|--------------------------|-------------------------------------|--------------------------------|------------------------|------------------------------------|---------------|
| Cost | | | | | | | | | | | |
| 1 July 2020 | 376,785,551 | 840,498,134 | 487,862,599 | 654,827,110 | 49,928,432 | 11,553,139 | 81,565,341 | 28,969,533 | 441,054,724 | 11,748,794 | 2,984,793,356 |
| Motor Cycles b/f | | | | | | | | | 3,344,000 | | 3,344,000 |
| Disposals | 7,137,323 | | | | | | | (3,259,908) | (7,682,504) | | (10,942,412) |
| Additions | | 128,049,472 | | | 341,500 | 28,600 | 5,428,946 | | | 63,840 | 133,912,358 |
| Reclassification | | | | | | | | | | | |
| 30 Jun 2021 | 376,785,551 | 968,547,605 | 487,862,599 | 654,827,110 | 50,269,932 | 11,581,739 | 86,994,286 | 25,709,625 | 436,716,220 | 11,812,634 | 3,111,107,302 |
| Depreciation | | | | | | | | | | | |
| 1 July 2020 | 42,424,207 | | 88,889,070 | 303,723,854 | 48,845,293 | 9,826,072 | 78,723,688 | 28,379,989 | 384,186,203 | 10,202,732 | 995,201,108 |
| Charge for the year | 7,137,323 | | 9,757,252 | 43,546,003 | 666,979 | 1,582,677 | 4,021,971 | 380,611 | 25,936,540 | 800,301 | 93,729,657 |
| Disposal | | | | | | | | (3,165,500) | (7,682,504) | | (10,848,004) |
| 30 Jun 2021 | 49,561,530 | | 98,646,322 | 347,269,857 | 49,512,272 | 11,408,749 | 82,745,659 | 25,595,100 | 402,340,239 | 11,003,033 | 1,078,082,761 |
| Net Book Value | | | | | | | | | | | |
| 30 Jun 2021 | 327,224,021 | 968,547,605 | 389,216,277 | 307,557,253 | 757,660 | 172,989 | 4,248,627 | 114,525 | 34,375,981 | 809,602 | 2,033,024,540 |
| 30 Jun 2020 | 334,361,344 | 840,498,134 | 398,973,529 | 351,103,256 | 1,083,139 | 1,727,066 | 2,841,652 | 589,544 | 60,212,520 | 1,546,062 | 1,992,936,246 |
| * Work-in-Progress comprises buildings for which construction is ongoing. Once they are completed they will be reclassified under building: | | | | | | | | | | | |
| 2019/2020 | | | | | | | | | | | |
| Cost | | | | | | | | | | | |
| 1 July 2019 | 376,785,551 | 689,720,295 | 462,165,125 | 578,156,411 | 49,395,653 | 11,553,139 | 79,674,406 | 28,969,533 | 420,193,724 | 11,748,794 | 2,708,362,630 |
| Movement | | | | | | | | | | | |
| Disposals | | | | | | | | | | | |
| Additions | | 250,581,357 | | 2,564,655 | 532,779 | | 1,890,935 | | 20,861,000 | | 276,430,726 |
| Reclassification | | (99,803,518) | 25,697,473 | 74,106,045 | | | | | | | 0 |
| 30th Jun 2020 | 376,785,551 | 840,498,134 | 487,862,599 | 654,827,110 | 49,928,432 | 11,553,139 | 81,565,341 | 28,969,533 | 441,054,724 | 11,748,794 | 2,984,793,356 |
| Depreciation | | | | | | | | | | | |
| 1 July 2019 | 35,286,884 | | 79,131,818 | 260,177,852 | 47,715,114 | 8,250,545 | 75,245,080 | 27,447,502 | 341,978,864 | 9,327,911 | 884,561,570 |
| Charge for the year | 7,137,323 | | 9,757,252 | 43,546,003 | 1,130,179 | 1,575,527 | 3,478,608 | 932,487 | 38,863,340 | 874,821 | 107,295,539 |
| Disposal | | | | | | | | | | | |
| 30th Jun 2020 | 42,424,207 | | 88,889,070 | 303,723,854 | 48,845,293 | 9,826,072 | 78,723,688 | 28,379,989 | 380,842,204 | 10,202,732 | 991,857,109 |
| Net Book Value | | | | | | | | | | | |
| 30th Jun 2020 | 334,361,344 | 840,498,134 | 398,973,529 | 351,103,256 | 1,083,139 | 1,727,066 | 2,841,652 | 589,544 | 60,212,520 | 1,546,062 | 1,992,936,246 |
| 30 Jun 2019 | 341,498,667 | 689,720,295 | 383,033,308 | 317,978,559 | 1,680,539 | 3,302,594 | 4,429,325 | 1,522,031 | 78,214,860 | 2,420,883 | 1,823,801,060 |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

9. Long-term Investments

This relates to the Corporations shareholding at various KTDA factories (Appendix I)
The investments are stated at cost as there is no available market values.

| 10. Inventories | 2020/2021 | 2019/2020 |
|----------------------------------|---------------------------|---------------------------|
| | Kshs | Kshs |
| Farm Inputs & Nursery Materials | 31,962,910 | 47,784,819 |
| Kipchabo Tea Factory Inventories | 123,670,943 | 167,323,052 |
| | <u>155,633,853</u> | <u>215,107,871</u> |

Stocks are valued at lower of cost or net realizable.

11. Trade & Other Receivables

Trade Debtors

| | | |
|--|---------------------------|---------------------------|
| KTDA- Green leaf debtors | 387,547,875 | 486,836,841 |
| KTDA- Transport refund | 11,099,173 | 10,793,774 |
| Emkor Tea Factory | 1,385,500 | - |
| Sisibo tea factory | 16,177,792 | 12,023,834 |
| Kiptagich Tea Factory | - | 6,933 |
| Chepkumia Tea Factory | 161,007 | - |
| Elgon Tea & Coffee | 1,840,781 | 2,340,704 |
| Mau Funds Due from National Treasury/Parent Ministry | 92,000,000 | - |
| Accrued Interest | 348,702 | 147,485 |
| Kipchabo Factory Debtors | 52,469,750 | 69,226,274 |
| | <u>563,030,579</u> | <u>581,375,844</u> |

Kipchabo Factory Debtors are receivables for finished tea due from customers of the factory

Prepayments

| | | |
|----------------|--------------------------|--------------------------|
| Other Deposits | 31,379,381 | 26,076,843 |
| | <u>31,379,381</u> | <u>26,076,843</u> |

Imprests, Advances and Loans

| | | |
|--------------------------|---------------------------|---------------------------|
| Temporary Imprest | 7,291,190 | 9,202,923 |
| Provision Doubtful debts | (3,300,782) | (3,300,782) |
| Standing Imprests | 1,460,849 | 1,460,849 |
| Wages Imprests | - | 1,086,586 |
| Insurance claims | 1,318,919 | 1,318,919 |
| Staff loans | 3,456,655 | 1,962,615 |
| | <u>10,226,831</u> | <u>11,731,110</u> |
| | <u>604,636,792</u> | <u>619,183,797</u> |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

| | 2020/2021 | 2019/2020 |
|--|-----------------------------|-----------------------------|
| | Kshs | Kshs |
| 12. Cash & Cash Equivalents | | |
| Zone Accounts Cash balances | 7,551,568 | 6,621,898 |
| Savings Account | 87,326 | 9,851,206 |
| Current Account | 9,570,634 | 20,368,390 |
| Fixed Deposits | 84,456,761 | 84,265,650 |
| UBA Bank Account | 3,084,814 | 5,730,113 |
| Credit Bank Account | 28,737 | 2,183,975 |
| Current Account- Project | 735 | 735 |
| Cash in Hand | 255,000 | 220,628 |
| Kipchabo Factory Cash & Cash Equivalents | 6,981,284 | 15,907,296 |
| | <u>112,016,859</u> | <u>145,149,892</u> |
| 13. General Fund | | |
| Accumulated Fund | 1,569,068,970 | 1,427,068,970 |
| ADF Grant | 741,760,713 | 741,760,713 |
| Reserves | 2,962,765,588 | 2,888,254,268 |
| Proposed Dividend | 3,921,648 | 4,788,773 |
| | <u>5,277,516,919</u> | <u>5,061,872,724</u> |
| <small>Accumulated Fund relates to the corporations core capital ADF Grant relates to African Development Bank Green Zone project phase II</small> | | |
| 14. Commercial Bank Loans | | |
| Credit Bank loan | 184,943,426 | 268,786,870 |
| UBA Bank Loan | 12,131,857 | 71,379,245 |
| Less due within the year | (136,144,042) | (139,132,102) |
| | <u>60,931,241</u> | <u>201,034,012</u> |
| <small>Relates to Commercial Bank loans to finance machinery for Kipchabo and Gatitu Tea Factories</small> | | |
| 15. Creditors | | |
| Trade Creditors | 117,260,326 | 104,811,404 |
| Other Creditors | 23,223,502 | 19,214,333 |
| Kipchabo Factory Creditors | 86,709,376 | 125,566,675 |
| | <u>227,193,204</u> | <u>249,592,412</u> |
| 16. Accruals | | |
| Dividends Payable | 60,002,592 | 55,213,819 |
| Provision for Gratuity | 4,404,877 | 2,019,841 |
| Accruals | 27,215,660 | 27,840,178 |
| Kipchabo Factory Accruals | 3,191,713 | 3,014,154 |
| | <u>94,814,842</u> | <u>88,087,991</u> |
| 17. Registration | | |
| <small>The Corporation is registered in Kenya through a Gazette notice LN265/1986 as a parastatal and is resident in Kenya.</small> | | |
| 18. Comparatives | | |
| <small>Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.</small> | | |

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Appendix I

SCHEDULE OF LONG-TERM INVESTMENTS

| TEA FACTORIES | 2020/2021 Kshs | Additions | 2019/2020 Kshs |
|----------------------|---------------------------|------------------|---------------------------|
| Chinga | 53,805 | | 53,805 |
| Chebut | 4,680,316 | | 4,680,316 |
| Gacharage | 586,265 | | 586,265 |
| Gachege | 104,085 | | 104,085 |
| Gathuthi | 3,695,973 | | 3,695,973 |
| Gatunguru | 248,720 | | 248,720 |
| Githambo | 35,370 | | 35,370 |
| Githongo | 1,691,950 | | 1,691,950 |
| Gitugi | 628,055 | | 628,055 |
| Gituri | - | | - |
| Ikumbi | 12,665 | | 12,665 |
| Imenti | 482,452 | | 482,452 |
| Iriani | 129,795 | | 129,795 |
| Kagwe | 1,058,117 | | 1,058,117 |
| Kambaa | 266,605 | | 266,605 |
| Kangaita | 174,108 | | 174,108 |
| Kapkoros | 4,192,369 | | 4,192,369 |
| Kapsara | 4,132,845 | | 4,132,845 |
| kapset | 6,031,141 | | 6,031,141 |
| Kathangariri | 4,341,130 | | 4,341,130 |
| Kenenyaini | 38,665 | | 38,665 |
| Kiegoi | 911,240 | | 911,240 |
| Kiru | 555,730 | | 555,730 |
| Kimunye | 553,785 | | 553,785 |
| Kinoro | 1,917,535 | | 1,917,535 |
| Kionyo | 779,500 | | 779,500 |
| Kuri | 534,475 | | 534,475 |
| Makomboki | 210,075 | | 210,075 |
| Mataara | 7,345 | | 7,345 |
| Michimikuru | 117,290 | | 117,290 |
| Mogogosiek | 5,492,066 | 1,357,265 | 4,134,801 |
| Mundete | 587,663 | | 587,663 |
| Mungania | 982,320 | | 982,320 |
| Mununga | 76,670 | | 76,670 |
| Ndimu | 277,630 | | 277,630 |
| Ngere | 245,735 | | 245,735 |
| NJunu | 56,485 | | 56,485 |
| Ragati | 1,085,565 | | 1,085,565 |
| Rukuriri | 431,250 | | 431,250 |
| Tergat | 17,065 | | 17,065 |
| Thananga | 1,867,639 | | 1,867,639 |
| Theta | 176,445 | | 176,445 |
| Thumaita | 1,913,776 | | 1,913,776 |
| Tirgaga | 14,296,719 | | 14,296,719 |
| Weru | 4,166,045 | | 4,166,045 |
| Total | 69,844,479 | 1,357,265 | 68,487,214 |

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the Year Ended 30th Jun 2021**

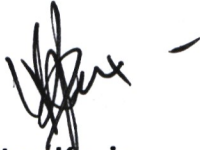
APPENDIX II: PROGRESS ON FOLLOW UP ON AUDITOR RECOMMENDATIONS AS AT 30TH JUNE 2021.

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) |
|--|---|--|--|---|---|
| 1.1 Property, Plant & Equipment (PPE) | Value of Ksh. 334.36 million disclosed under PPE – Land & Buildings excludes value of land on which the tea and forest plantations are established. | The land where Nyayo Tea Zones buffer belts (tea & fuelwood) are established is still gazetted and is part of the forest. However, Section 3(1) (b) and (c) of the Nyayo Tea Zones Development Corporation Order states that “after the creation of the tea and fuelwood growing zones, the land shall be vested and become the property of the Corporation for the purposes of the Order; and any tea and fuel wood growing area created and developed in gazetted forests and trust land forests by the Government prior to the making of this Order, shall be deemed to have been created by the Corporation for the purposes of the Order” | Mr. Peter Korir, Managing Director | Not resolved by the date of submitting this report to the Auditor General | Not possible to project due to the fact that the gazetted land is under the custodian of Kenya Forest Service while the Nyayo Tea Zones Development Corporation Order states the land belongs to the Corporation. Both institutions belong to the government and the matter requires clarification from the government. |
| 1.2 Property, Plant & Equipment (PPE) | Value of Ksh. 334.36 million disclosed under PPE Bearer Plants includes parcel L.R. 82519 registered in the name of the Corporation. A third party has made a claim that the land was allocated to him. | High Court Case No. 120 of 2018 Eldoret ELRC, Silvester K. Kaitany -Vs-Nyayo Tea Zones Development Corporation was determined in favour of the plaintiff. The Corporation appealed and the matter is pending determination in the Court of Appeal. The Corporation also forwarded the details of the land to Ethics and Anti-Corruption Commission (EACC) and the matter is still outstanding as we await the outcomes of their investigations/determination. | Mr. Peter Korir, Managing Director | Not resolved by the date of submitting this report to the Auditor General | Corporation is waiting for determination by court of appeal as well as communication from EACC on the way forward. |

**Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
For the Year Ended 30th Jun 2021**

| | | | | | |
|------------------------------|--|--|---|---------------------------|---|
| 2. Long Outstanding imprests | Trade receivables excludes outstanding imprests of Ksh. 1,176,259 from former employees that have been outstanding since 1990's. However, management has made a full provision for these debts whose recovery remains doubtful | Management is pursuing recovery of the debts using all possible avenues like debt collectors as well as legal action. In cases where a former employee who had outstanding imprest has died, we shall pursue the estate of the deceased to recover the outstanding debt. We hope that with time all the outstanding debts will be recovered in full. | Mr. William Togom, Head of Human Resources & Administration | Debt collection on going. | The collection is resolved on a case by case basis and it is not possible to determine the outcome especially in case involving deceased debtors. |
|------------------------------|--|--|---|---------------------------|---|



Peter Korir

Managing Director

Date..... 30/09/2021