

Volume 9

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

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**REPORT**

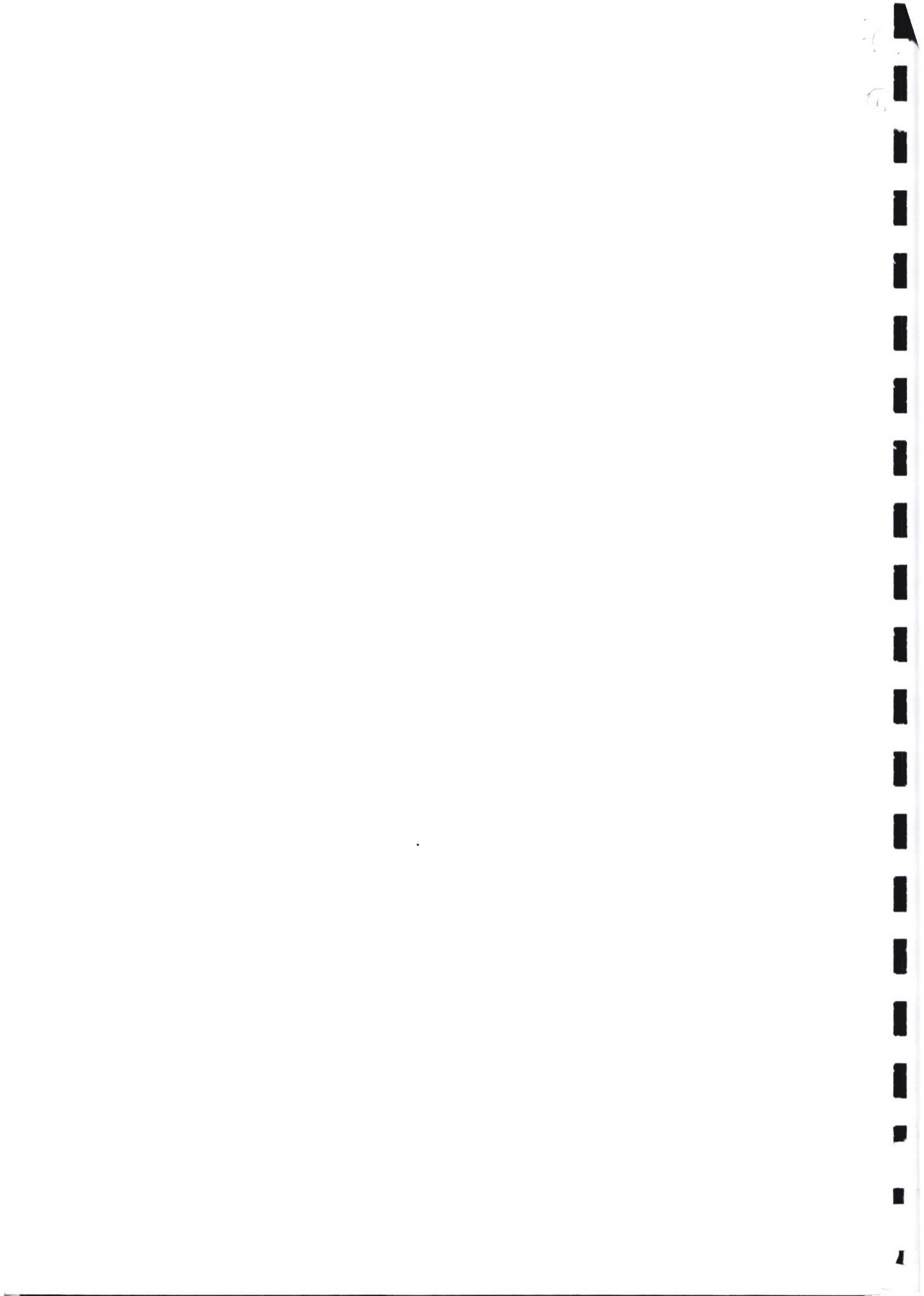
**OF**

**THE AUDITOR-GENERAL**

**ON**

**NYAYO TEA ZONES DEVELOPMENT  
CORPORATION**

**FOR THE YEAR ENDED  
30 JUNE 2014**



NYAYO TEA ZONES DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2014

NYAYA NATIONAL AUDIT OFFICE  
P.O. Box 50041 - 00100 Nairobi  
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## **CORPORATE INFORMATION**

### **Directors:**

Mr. Mathew Iteere – Chairman – appointed to the board in 2013  
Mr. Peter K. Korir - Managing Director - appointed to the board in 2012  
Ms. Angeline M. Savala – Member - appointed to the board in 2009  
Ms. Faith Jepkemboi Boinett – Member - appointed to the board in 2009  
Mr. John N. M. Nyaga – Member - appointed to the board in 2009  
Mr. Kibiwott Ruto – Member - appointed to the board in 2012  
Mr. Ceaser Wanjao – Member - appointed to the board in 2012  
Mrs. Lucy N. Njenga – Member (Alternate to Principal Secretary Ministry of Agriculture Livestock & Fisheries)  
Mr. James Aloyo – Member (Alternate to Principal Secretary Treasury)

### **Registered Office and Principal place of Business:**

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









### **Auditors:**

Auditor-General  
Anniversary Towers  
P.O. Box 30084-00100  
**NAIROBI**

### **Bankers:**

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

**BOARD OF DIRECTORS**

1	 <b>Mathew Iteere</b> (MGH, CBS, OGW, DCO) – Chairman	Mr Iteere is 53 years old and joined the board in February 2013. Prior to joining the board he was the Commissioner of Police of Republic of Kenya from 2009 to 2012. Mr Iteere holds a Diploma in Education. He is currently pursuing a Masters degree in Criminology and Security Studies. He hails from Meru County.
2	 <b>Peter K. Korir</b> – Managing Director	Mr Korir is 45 years and joined the board in November 2012. He holds a Bachelor of Science degree from Egerton University and MBA from University of Nairobi. He has over 20 years’ experience in management having previously worked with East African Portland Cement and Unilever Kenya. He also sits in the board of East Africa Tea Trade Association (EATTA).
3	 <b>Ms. Angeline M. Savala</b> – Member	Ms Savala is 50 years old and joined the board in 2009. She holds a doctorate in Religion and Philosophy from Masinde Muliro University of Science and Technology. She hails from Kakamega County.
4	 <b>Ms. Faith Jepkemboi Boinett</b> – Member	Ms Boinett is 33 years old and joined the board in 2009. She holds a Bachelor of Laws degree (LLM). She is an advocate of the High Court of Kenya based in Eldoret. She also sits in the Board of Kenya Pipeline Company. She hails from Uasin Gishu County.
5	 <b>Mr. Ceaser Wanjao</b> – Member	Mr Wanjao is 50 years old and joined the board in 2012. He holds a Bachelor of Arts and a Bachelor of Laws degree. He is an advocate of the High Court of Kenya based in Nairobi. He hails from Kirinyaga County.
6	 <b>Mr. Kibiwott Ruto</b> – Member	Mr Ruto is 51 years old and joined the board in 2012. He holds a Bachelor of Science degree in Business Administration and is a Certified Public Accountant. He previously worked as an accountant in the corporation. He is in private business and hails from Nandi County.
7	 <b>Mr. John N. M. Nyaga</b> – Member	Mr Nyaga is 76 years old and joined the board in 2009. He holds a Master of Science degree in Organizational Development He is a former Town Clerk of Embu Municipal Council and a retired civil servant. He is currently pursuing a doctorate degree in management from the University of Nairobi. He hails from Embu County.
8	 <b>Mrs. Lucy N. Njenga</b> – Member (Alternate to Principal Secretary Ministry of Agriculture Livestock & Fisheries)	Mrs Njenga represented the Principal Secretary Ministry of Agriculture Livestock & Fisheries in the board during the year.
9	<b>Mr. James Aloyo</b> – Member (Alternate to Principal Secretary Treasury)	Mr Aloyo represented the Principal Secretary, The Treasury in the board during the year

**MANAGEMENT TEAM**

<p>1</p>	 <p><b>Peter K. Korir – Managing Director</b></p>	<p>Mr Korir is 45 years and joined the board in November 2012. He holds a Bachelor of Science degree from Egerton University and MBA from University of Nairobi. He has over 20 years’ experience in management having previously worked with East African Portland Cement and Unilever Kenya. He also sits in the board of East Africa Tea Trade Association (EATTA).</p>
<p>2</p>	 <p><b>Samuel Njire – Head of Finance</b></p>	<p>Mr Samuel Njire joined the corporation in 2009 and is the Head of Finance. He holds Masters in Business Administration (Finance) from University of Nairobi. He is also a certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) He is responsible for overall financial stewardship of the corporation. He has over 20 years’ experience in finance in both public and private institutions</p>
<p>3</p>	 <p><b>Charles Mucheke – Head of Operations</b></p>	<p>Mr Charles Mucheke joined the Corporation in 2004 and is the Head of Operations. He holds a Bachelor of Science degree. He is responsible for all agronomy operations in the Corporation. Prior to joining the corporation he worked with KTDA and has over 20 years’ experience in the tea industry.</p>
<p>4</p>	 <p><b>William Togom – Head of Human Resource and Administration</b></p>	<p>Mr Togom joined the corporation in 1996 and is the head of human resources and administration. He holds a Bachelor of Arts degree in Anthropology. He has over 20 years’ experience in human resource and administration.</p>
<p>5</p>	 <p><b>David Chepkwony – Head of Commercial</b></p>	<p>Mr Chepkwony is 44 years old and joined the corporation in 2014 to the newly established 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 &amp; Unilever Kenya Ltd and has over 17 years’ experience in sales and marketing.</p>

## CHAIRMAN'S STATEMENT

### General

I am pleased to present to you the Annual Report and Financial Statements of the Corporation for the year ended 30 June 2014. The accounts were audited by the Auditor General and received an unqualified opinion. The Corporation has continued to execute its mandate of protecting and conserving gazetted forests through optimal allocation of available resources.

### Economy

In the year under review the economy was affected by various challenges among them insecurity, weakening shilling, poor commodity prices particularly tea and low tourist numbers. Economic growth according to the World Bank was 5 per cent in 2013 and in 5.1 per cent 2014. Inflation remained relatively stable and oil prices fell especially in the second half of the year. However global tea production continued to increase pushing tea prices down. Weather conditions were favourable which contributed to increased production which in turn made demand for tea be outstripped by supply. Tea prices in Mombasa Auction remained greatly depressed throughout the year

### Results

The challenges facing the tea industry affected the Corporation's performance adversely resulting to a decline in net profit from Ksh. 319 million in 2012/2013 to Ksh. 36 million in 2013/2014. This affected both the corporation and its fully owned Kipchabo tea factory. Despite favorable weather conditions which contributed to increase in production of both green leaf and processed tea the collapse in tea prices was huge enough to offset these gains.

### Operations

Green leaf production increased from 20.8 million Kilograms to 25 million Kilograms during the year. Kipchabo Tea Factory also registered improved performance in both green leaf collection and processed tea. Total green leaf received by the factory increased to 9,095,081 Kilograms compared to 6,177,238 Kgs in the previous year. Processed tea volumes increased to 2,059,459 Kgs compared to 1,396,998 Kgs in the previous year.

### Strategic Initiatives

Owing to the challenges in the tea industry the corporation remains proactive by initiating robust strategic initiatives meant to cushion it from the declining tea prices at the Mombasa Auction. The corporation established a commercial unit that will market branded tea locally and internationally. This value addition is expected to boost revenues as the prices are significantly higher than at the auction. The corporation invested in the new unit by procuring machines, motor vehicles and engaging new staff during the year. New strategies will be unveiled as changes in the industry unfold.

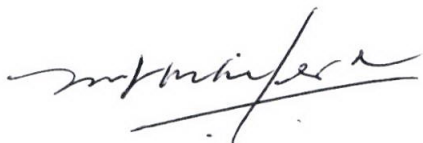
### Prospects

The global tea prices are not expected to recover in the next financial year and this will adversely affect the tea industry. The corporation intends to pursue the local market through the commercial unit where prices are much higher thereby cushioning itself from losses and lower margins.

Green leaf production is expected to continue on an upward trend if the weather conditions remain the same as they were in 2013/2014 financial year.

### Appreciation

On behalf of the board, I wish to thank the management, staff and the Government for being committed to the Corporation's affairs. With your support we assure you of our commitment to growing and enhancing our shareholders value.



CHAIRMAN

## MANAGING DIRECTORS REPORT

### Financial Results

In the year 2013/2014 the tea sector globally continued to face severe challenges of plummeting prices by an average of 45% locally compared to the previous years. The corporation was not spared and this had a negative impact on its revenues which dropped by 13% to Ksh. 893 Million from 1.023 billion in the previous financial year. This is despite increase in green leaf volumes by 20% over similar period.

Operating profit dropped by 95% to Ksh. 14 Million mainly due to sharp decline in tea prices at the auction. Operations expenditure increased by 14% to Ksh. 484 Million due to increased costs attributed to general inflation. The sharp decline in revenues coupled with the growth in operating expenses resulted to a decline in net profit by 89% to Ksh 36 Million during the review period.

### Operations

During the year favorable weather conditions resulted in significant increase in of green leaf production by 20% from 20.8 million kilograms in previous year to 25 million kgs. The corporation continued to invest in its capacity through improvement of its fields, upgrading the access road and replacement of the unserviceable leaf carriers. The Corporation also continued investing in its commercial unit that is charged with sale of processed teas in the local as well as export markets.

The corporation continued with the implementation of the final phase of the Green Zones Development Support Project during the year though on a lower scale. The Project is expected to end in the first half of the next financial year 2014/2015.

### Future outlook

The global tea prices continue to decline owing to oversupply and disruptions in the major export markets. The prices are not expected to recover fully in the near future hence the need for product diversification. This will pose a challenge on the revenues and cash flows in the tea sector in the coming financial year 2014/2015.

The Corporation is putting in place strategies aimed at cushioning it against the declining margins resulting from the price decline as well as growing and diversifying its product portfolio.

The corporation will also review implementation of some of its major capital investments in line with its cash flow and funding position.

Production of green leaf is expected to continue on an upward trend subject to weather conditions remaining the same as they were in the previous financial year.

### Appreciation

I take this opportunity to appreciate the invaluable support given by the Government, the Board of Directors, and the management staff and all other stakeholders for being committed to the Corporation's affairs. We assure you of our commitment to growing and enhancing our shareholders value.



MANAGING DIRECTOR

## STATEMENT OF CORPORATE GOVERNANCE

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 2013.

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 and Marketing Committee (ii) Audit Committee and (iii) Finance and General Purpose 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.

## STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

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

During the year the Corporation continues to support livelihoods in all our operating area by means of providing consistent source of employment to the communities adjacent to our tea and forestry operations. We also engage the community in conservation activities such as restoration of ecologically sensitive areas as well as providing free seedling for forestry products.

The Corporation made a contribution of over Ksh 2 million on community based initiatives among the donation of Ksh 1.1 million to schools around Kipchabo catchment in Nandi County for equipping their libraries. The Corporation also sponsored the JOYWO organization and Kericho Marathon.

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2014, which disclose the state of affairs of the Corporation.

### Incorporation

The Corporation is registered in Kenya 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.

### Principal Activity

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

### Results

	2013/2014 (Ksh)	2012/2013 (Ksh)
Profit /(Loss) before tax	35,895,363	319,457,276
Net Profit/ (Loss) for the year	<u>35,895,363</u>	<u>319,457,276</u>

### Directors

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

**Auditors**

The Auditor-General is responsible for the statutory audit of the Corporation books of account

By order of the Board



DIRECTOR  
NAIROBI

.....20/03/2015.....

**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.

Director .....  


Director .....  


Date.....20/03/2015.....

Date.....20/03/2015.....

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Nyayo Tea Zones Development Corporation set out on pages 1 to 11, which comprise the statement of financial position as at 30 June, 2014, and the statement of comprehensive income, statement of changes in general fund and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such 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.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis for Qualified Opinion**

#### **1. Board Expenses**

Section 6(1) of the State Corporations Act, Cap 446, of the Laws of Kenya states that unless the written law by or under which a state corporation is established or the articles of association of the state corporation otherwise require, a Board shall consist of a Chairman, the Chief Executive, the Permanent Secretary of the parent Ministry, the Permanent Secretary to the Treasury and not more than seven (7) other members not being employees of the state corporation appointed by the Minister. Section 10(1) of the Act, allows the chairman and the board members to be paid sitting allowance out of the funds of the corporation on attendance of board/committee meetings. However, records examined indicated that the Corporation paid a total of Kshs.322,000 as sitting allowance to non-board members in attendance during board/committee meetings. The Corporation was therefore in breach of the law.

#### **2. Property, Plant and Equipment**

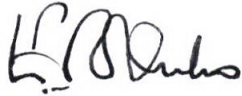
As previously reported, the Property, Plant and Equipment balance of Kshs.1,305,845,130 as at 30 June 2014 excludes an undetermined value of two (2) parcels of land located in Kericho and Keiyo district measuring 372.80 and 66 hectares respectively. According to available information the land which is fully developed and with tea bushes has been illegally excised by a cooperative society and an individual. Although the management has explained that the matter regarding Kericho parcel of land acquired by the co-operative society was taken to court and a ruling made to the effect that the land was not illegally excised, no evidence has been provided for verification.

Consequently, the Property, Plant and Equipment balance of Kshs.1,305,845,130 as at 30 June 2014 has been understated by the undetermined value of the land.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Corporation as at 30 June, 2014, and of its

financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Nyayo Tea Zones Development Corporation Order, 2002.



**Edward R.O. Ouko, CBS**  
**AUDITOR-GENERAL**

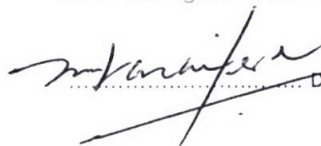
**Nairobi**


**14 April 2015**

	Notes	2013/2014 Kshs	2012/2013 Kshs
Turnover	2 (a)	893,200,480	1,022,533,946
Cost of Production	2 (b)	(394,760,164)	(304,360,908)
<b>Gross Profit</b>		<b>498,440,316</b>	<b>718,173,038</b>
Administrative Expenses	3 (a & b)	(332,504,675)	(282,414,483)
Board Expenses	3 (c)	(6,061,662)	(6,950,132)
Other Operating Expenses	4	(145,835,513)	(135,266,157)
<b>Operating Profit Before finance Costs</b>		<b>14,038,466</b>	<b>293,542,267</b>
Finance Costs	5	(16,919,805)	(20,179,092)
<b>Profit before Exceptional Item</b>		<b>(2,881,339)</b>	<b>273,363,175</b>
Other income	2(c)	38,776,702	46,094,101
<b>Net profit/(loss) for theyear</b>		<b>35,895,363</b>	<b>319,457,276</b>

	Notes	2013/2014 Kshs	2012/2013 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Biological Assets	6	1,469,329,187	1,309,228,554
Property, Plant & Equipments	7	1,305,845,130	1,206,885,094
Survey & Mapping	8	249,439,200	249,439,200
Long Term Investments	9	59,622,997	50,811,635
		<b>3,084,236,514</b>	<b>2,816,364,483</b>
<b>Current Assets</b>			
Inventories	10	181,526,266	98,900,389
Trade & Other Receivables	11	399,334,441	570,239,013
Cash & Cash Equivalents	12	265,968,811	458,919,391
		<b>846,829,519</b>	<b>1,128,058,793</b>
<b>Total Assets</b>		<b>3,931,066,033</b>	<b>3,944,423,276</b>
<b>GENERAL FUND &amp; LIABILITIES</b>			
<b>General Fund</b>			
Accumulated Fund/Shareholding	13	1,147,068,970	1,147,068,970
Donor Grants	13	755,842,591	763,235,323
Revenue Reserves	13	1,739,569,379	1,703,674,016
		<b>3,642,480,939</b>	<b>3,613,978,309</b>
<b>Long Term Loans</b>			
EADB Loan	14	151,640,477	192,445,238
		<b>151,640,477</b>	<b>192,445,238</b>
<b>Current Liabilities</b>			
Trade Creditors	15	39,509,386	63,660,302
Accruals	16	97,435,230	74,339,427
		<b>136,944,616</b>	<b>137,999,729</b>
<b>General Fund and Liabilities</b>		<b>3,931,066,033</b>	<b>3,944,423,276</b>

The financial statements were approved by the Board of Directors on 20/03/2015  
 and were signed on its behalf by:-

  
 ..... DIRECTOR

  
 ..... DIRECTOR

**STATEMENT OF CHANGES IN THE GENERAL FUND**  
**2013/2014**

	Accumulated Fund Kshs	Donor Grants Kshs	Revenue Reserves * Kshs	Total Kshs
As at 1 July 2012	1,147,068,970	816,407,947	1,384,216,740	3,347,693,657
Donor(ADB) grants 2012/2013		(53,172,624)		(53,172,624)
Net Profit for the year			319,457,276	319,457,276
<b>As at 30 June 2013</b>	<b>1,147,068,970</b>	<b>763,235,323</b>	<b>1,703,674,016</b>	<b>3,613,978,309</b>
Donor(ADB) grants 2013/2014		(7,392,733)		(7,392,733)
Net Profit for the year			35,895,363	35,895,363
<b>As at 30 June 2014</b>	<b>1,147,068,970</b>	<b>755,842,591</b>	<b>1,739,569,379</b>	<b>3,642,480,940</b>
<b>2012/2013</b>				
As at 1 July 2011	1,147,068,970	772,542,520	1,071,171,427	2,990,782,917
Donor(ADB) grants 2011/2012		43,865,427		43,865,427
Net Profit for the year			313,045,313	313,045,313
<b>As at 30 June 2012</b>	<b>1,147,068,970</b>	<b>816,407,947</b>	<b>1,384,216,740</b>	<b>3,347,693,657</b>
Donor(ADB) grants 2012/2013		(53,172,624)		(53,172,624)
Adjustment				
Net Profit for the year			319,457,276	319,457,276
<b>As at 30 June 2013</b>	<b>1,147,068,970</b>	<b>763,235,323</b>	<b>1,703,674,016</b>	<b>3,613,978,309</b>

\* Revenue reserves are for purposes of asset replacement

**CASHFLOW STATEMENT**

	Note	2013/2014 Kshs	2012/2013 Kshs
<b>Cashflow from Operating Activities</b>			
Operating Profit (Loss)		35,895,363	319,457,276
Dividend income		(689,083)	(729,762)
Disposal of Fixed Assets		-	3,048,088
Depreciation of Fixed Assets		88,283,906	70,532,558
Amortization on Establishment costs		-	14,248,667
<b>Profit Before Working Capital Changes</b>		<b>123,490,186</b>	<b>406,556,828</b>
(Decrease) / Increase in Debtors & Prepayments		170,904,572	(68,237,294)
Increase / (Decrease) in Creditors & Accruals		(1,055,113)	60,370,224
Increase in Stock		(11,929,314)	(1,305,819)
Increase in Stock - Kipchabo		(70,696,564)	(49,456,319)
<b>Net Changes in working Capital</b>		<b>87,223,582</b>	<b>(58,629,207)</b>
<b>Net Cash Generated from Operating Activities</b>		<b>210,713,768</b>	<b>347,927,621</b>
<b>Cashflows used in Investing Activities</b>			
Dividends received		689,083	729,762
Long-Term Investment in K.T.D.A Factories		(8,811,362)	(5,892,468)
Disposal of Fixed Assets		-	(3,048,088)
Purchase of Fixed Assets		(187,243,943)	(155,520,541)
Establishment costs		(160,100,633)	(144,810,396)
<b>Net Cash (Used) in Investing Activities</b>		<b>(355,466,854)</b>	<b>(308,541,731)</b>
<b>Cashflows (Used) in Financing Activities</b>			
ADB Grant		(7,392,733)	(53,172,624)
EADB Loan		(40,804,761)	2,020,501
<b>Net Cash from/(Used) in Financing Activities</b>		<b>(48,197,493)</b>	<b>(51,152,123)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>(192,950,580)</b>	<b>(11,766,234)</b>
<b>Movement in Cash and Cash Equivalents</b>			
At 1 July 2013		458,919,391	408,484,353
Increase/(Decrease) in the year		(192,950,580)	(11,766,233)
<b>At 30 Jun 2014</b>	<b>12</b>	<b>265,968,811</b>	<b>458,919,391</b>

**NOTES TO THE ACCOUNTS**

**1. Significant Accounting Policies**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted

**(a) Basis of Accounting**

The financial statements have been prepared historical cost basis.

**(b) Revenue Recognition**

Income is recognised as revenue when sales are made and not when cash is received.

**(c) Property, Plant, Equipment and Depreciation**

Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis, at annual rates estimated to write-off the assets over their expected useful lives.

**(d) 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.

**The annual depreciation rates in use are:-**

Factory Buildings	2%
Tractors & Trailers	33.3%
Computers & Electronic typewriters	30%
Motor Vehicles	20%
Furniture & Fixtures	12.5%
Office Equipment	12.5%
Factory Machinery	6.65%

**(e) Consolidation**

The financial statements for year ending 30 June 2014 have been consolidated with those of the subsidiary company (Kipchabo Tea Factory Ltd) which is wholly owned by the Corporation

<b>2 (a) Turnover</b>	<b>2013/2014</b>	<b>2012/2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Green Leaf Sales	558,104,206	714,986,666
Sale of Finished Tea	302,018,168	296,636,967
Transport refund	12,632,335	10,537,589
Fuelwood sales	20,445,770	372,724
	<b>893,200,480</b>	<b>1,022,533,946</b>

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	274,568,392	214,945,209
Farm Inputs	76,916,903	69,029,763
Transport	39,335,792	29,556,323
KTDA Charges	5,558,939	7,149,867
Kipchabo Tea factory cost of Production	182,368,237	142,973,528
Less Intercompany (Kipchabo Factory)	(183,988,099)	(159,293,783)
	<b>394,760,164</b>	<b>304,360,908</b>

**NOTES TO THE ACCOUNTS -Continued**

2 ( c) Other Income	2013/2014 Kshs	2012/2013 Kshs
Interest Income	30,055,231	35,238,923
Dividends from KTDA factories	689,083	729,762
Miscellaneous Income	5,950,785	5,627,820
Kipchabo Tea Factory Ltd Other Income	2,081,603	4,497,596
	<b>38,776,702</b>	<b>46,094,101</b>

This relates to income from treasury bills interest, dividends from investments in KTDA factor sale of tenders and sale of forests produce.

**3. Administrative Expenses**

**(a) Employment expenses**

Salaries and wages	80,936,952	140,774,169
House Allowance	17,069,259	4,762,110
Leave Allowance	2,168,704	779,053
Commuter & Other allowances	31,492,321	2,168,250
Medical Allowance	18,203,520	15,432,435
Staff Welfare	1,379,867	-
Social Security Expenses	21,530,866	3,062,960
Staff Uniforms	390,242	58,637
Staff Training	10,879,679	5,007,770
Travelling & Subsistence	13,816,399	16,406,399
	<b>197,867,810</b>	<b>188,451,783</b>

**( b) Other administration expenses**

Advertising Marketing & Publicity	6,236,676	7,322,104
Donations	966,578	-
Audit fees	1,053,618	1,173,916
Printing & Stationery	2,670,858	2,964,100
Telephone & Postage	3,701,638	3,380,399
Publications & Periodicals	698,969	458,409
General Office Expenses	3,669,059	2,568,422
Transport Operating	4,370,644	3,284,036
Legal & Professional	36,241,571	13,313,221
Cleaning	428,308	996,384
Bank charges	1,588,631	928,925
Kipchabo Tea Factory Administration Expenses	73,010,317	57,572,785
	<b>134,636,865</b>	<b>93,962,701</b>
Subtotal Total	<b>332,504,675</b>	<b>282,414,483</b>

**(c.) Directors' Expenses**

Board Expenses	6,061,662	6,950,132
	<b>338,566,337</b>	<b>289,364,615</b>

NOTES TO THE ACCOUNTS -Continued

	2013/2014 Kshs	2012/2013 Kshs
<b>4. Other operating expenses</b>		
<b>Establishment:</b>		
Rent & Rates	987,595	114,513
Light & Water	585,141	1,212,291
Repairs & Maintenance	8,003,253	5,286,335
Licences	9,590	-
Insurance	3,790,018	5,873,288
Security	1,789,527	1,161,860
Depreciation	41,025,896	30,591,519
Amortization	-	14,248,667
Kipchabo Factory Ltd Other operating expenses	89,644,492	76,777,682
<b>Total Expenses</b>	<b>145,835,513</b>	<b>135,266,157</b>
<b>5. Finance Cost</b>		
Interest on EADB Loan-Kipchabo Factory Ltd	16,919,805	20,179,092
	<b>16,919,805</b>	<b>20,179,092</b>

**Operating Profit**

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

Depreciation	41,025,896	30,591,519
Amortization	-	14,248,667
Auditor's Remuneration	1,053,618	1,173,916
Kipchabo Factory Ltd Depreciation	47,258,010	39,941,039

6. Biological Assets	Tea Kshs	Forest Kshs	Total Kshs
1st July 2013	871,698,873	565,848,385	1,437,547,258
Changes in value during the year	(29,999,206)	61,781,135	31,781,930
<b>30th Jun 2014</b>	<b>841,699,667</b>	<b>627,629,520</b>	<b>1,469,329,187</b>
<b>30th June 2013</b>	<b>751,489,789</b>	<b>557,738,765</b>	<b>1,309,228,554</b>

The fair value of the biological asset is determined based on cost but with anticipated changes in IAS 41 on bearer plants we plan to engage a valuer in 2015/2016 financial year

*Tevo Tool and Development Corporation  
Receipts and Accounts for the Year Ended 30 June 2014*

2013/2014	Land, Buildings & WIP Kshs	Factory Buildings	Factory Machinery	Furniture & Fixtures Kshs	Office Equipment Kshs	Computers & Accessories Kshs	Tractors & Trailers Kshs	Motor Vehicles Kshs	Farm Tools & Implements Kshs	Total Kshs
Cost										
1 July 2013	431,091,111	424,475,149	333,679,731	44,944,683	5,056,611	58,911,257	24,721,598	219,353,416	8,399,540	1,550,633,096
Additions										
Transfer from NTZ										
30 June 2014	104,673,302	28,067,229	6,072,629	192,450	18,395	1,233,992		46,495,325	510,001	187,263,323
Disposal										
30 June 2014	535,764,413	452,542,378	339,752,360	45,137,133	5,075,006	60,145,249	24,721,598	265,848,741	8,909,541	1,737,896,419
Depreciation										
1 July 2013		24,398,381	62,897,162	32,146,571	3,704,940	57,622,604	20,554,931	134,043,259	8,399,540	343,748,002
Charge for the year	3,368,757	9,050,848	29,974,464	3,617,371	562,630	1,273,054	2,833,050	37,539,984	63,750	88,283,906
Prior year adjustment										19,381
30 June 2014	3,368,757	33,449,228	92,871,626	35,763,942	4,267,570	58,895,657	23,387,981	171,583,243	8,463,290	432,051,289
Net Book Value										
30 June 2014	532,395,657	419,093,150	246,880,735	9,373,191	807,435	1,249,592	1,333,617	94,265,498	446,251	1,305,845,130
30 June 2013	431,091,111	400,076,769	270,782,569	12,798,112	1,351,670	1,288,653	4,166,667	85,310,156		1,206,885,094

2012/2013	Land & WIP Kshs	Factory Buildings	Factory Machinery	Furniture & Fixtures Kshs	Office Equipment Kshs	Computers & Accessories Kshs	Tractors & Trailers Kshs	Motor Vehicles Kshs	Farm Tools & Implements Kshs	Total Kshs
Cost										
1 July 2012	352,919,276	397,721,943	333,679,731	44,944,683	5,056,611	58,720,757	22,817,904	187,120,153	8,399,540	1,411,380,598
Additions										
Disposal	78,171,835	26,753,206				190,500	4,000,000	46,405,000		155,520,541
30 June 2013	431,091,111	424,475,149	333,679,731	44,944,683	5,056,611	58,911,257	24,721,598	219,353,416	8,399,540	1,550,633,096
Depreciation										
1 July 2012		15,908,878	40,707,460	28,553,256	3,177,258	52,989,373	19,817,904	119,949,204	8,399,540	289,483,487
Charge for the year		8,489,503	22,189,702	3,593,315	527,682	4,633,231	2,833,333	28,265,792		70,532,558
On Disposal								(14,171,737)		(16,268,043)
30 June 2013		24,398,381	62,897,162	32,146,571	3,704,940	57,622,604	20,554,931	134,043,259	8,399,540	343,748,002
Net Book Value										
30 June 2013	431,091,111	400,076,769	270,782,569	12,798,112	1,351,670	1,288,653	4,166,667	85,310,156		1,206,885,094
30 June 2012	352,919,276	381,813,066	292,972,271	16,391,427	1,879,352	5,731,384	3,000,000	67,170,949		1,121,897,111

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. Survey & Mapping**

This is an amount for Kshs 249,439,200 used in demarcation through boundary marking of the Corporation's land from the gazetted forests.

**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.

<b>10. Inventories</b>	<b>2013/2014 Kshs</b>	<b>2012/2013 Kshs</b>
Farm Inputs & Nursery Materials	19,126,640	7,197,326
Kipchabo Tea Factory Inventories	162,399,627	91,703,063
	<u><b>181,526,266</b></u>	<u><b>98,900,389</b></u>

Stocks are valued at lower of cost or net realizable.

**11. Trade & Other Receivables**

**Trade Debtors**

KTDA- Green leaf sales	249,457,877	446,538,497
KTDA- Transport refunc	8,798,735	6,573,882
Kiptagich Tea Factory	65,188,267	71,462,284
Kaisugu Factory	1,030,095	-
Accrued Interest	2,885,998	3,438,633
Kipchabo Factory Debtors	28,994,118	16,992,247
	<u><b>356,355,089</b></u>	<u><b>545,005,543</b></u>

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

**Prepayments**

Other Deposits	40,287,052	24,258,275
	<u><b>40,287,052</b></u>	<u><b>24,258,275</b></u>

**Imprests, Advances and Loans**

Temporary Imprest	2,604,346	2,604,346
Provision Doubtful debts	(3,300,782)	(3,300,782)
Standing Imprests	7,575	-
Wages Imprests	1,440,547	-
Staff loans	1,940,615	1,671,632
	<u><b>2,692,300</b></u>	<u><b>975,195</b></u>
	<u><b>399,334,441</b></u>	<u><b>570,239,013</b></u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2013/2014 Kshs	2012/2013 Kshs
<b>12. Cash &amp; Cash Equivalents</b>		
Savings Account	473,463	94,342
Current Account	32,263,613	15,631,306
Fixed Deposits	162,700,000	302,820,000
Current Account- Project	14,363,669	31,586,354
Cash in Hand	116,917	-
Kipchabo Factory Cash & Cash Equivalents	56,051,149	108,787,389
	<u><b>265,968,811</b></u>	<u><b>458,919,391</b></u>
<b>13. General Fund</b>		
Accumulated Fund	1,147,068,970	1,147,068,970
ADF Grant	755,842,591	763,235,323
Revenue Reserves	1,739,569,379	1,703,674,016
	<u><b>3,642,480,939</b></u>	<u><b>3,613,978,309</b></u>
Accumulated Fund relates to the corporations core capita		
ADF Grant relates to African Development Bank Green Zone project phase I		
Revenue Reserves comprises of retained earnings for purposes of asset replacement		
<b>14. EADB Loan</b>		
Kipchabo Factory Loan	151,640,477	192,445,238
	<u><b>151,640,477</b></u>	<u><b>192,445,238</b></u>
Relates to East African Development Bank loan to finance machinery for Kipchabo Tea Factory		
<b>15. Creditors</b>		
Trade Creditors	25,872,997	43,405,000
Other Creditors - Green Leaf	3,834,542	-
Kipchabo Factory Creditors	9,801,847	20,255,302
	<u><b>39,509,386</b></u>	<u><b>63,660,302</b></u>
<b>16. Accruals</b>		
Provision for Gratuity	5,303,901	2,293,123
Accruals	84,163,900	57,678,476
Kipchabo Factory Accruals	7,967,429	14,367,829
	<u><b>97,435,230</b></u>	<u><b>74,339,427</b></u>
<b>17. Registration</b>		
The Corporation is registered in Kenya through a Gazette notice LN265/1986 as a parastatal and is resident in Kenya.		
<b>18. Comparatives</b>		
Where necessary, comparative figures have been adjusted to conform with change in presentation in the current year		

The financial statements are presented in Kenya Shillings (Kshs)

Nyayo Tea Zones Development Corporation  
Report and Accounts for the Year Ended 30th June 2014

**SCHEDULE OF LONG-TERM INVESTMENTS**

TEA FACTORIES	2013/2014 Kshs	Additions	2012/2013 Kshs
Chinga	53,805		53,805
Chebut	4,565,081		4,565,081
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	25	482,427
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	2,539,780		2,539,780
Kathangariri	4,341,130		4,341,130
Kenyenyaini	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	305,227	52,313	252,913
Mundete	587,663		587,663
Mungania	982,320		982,320
Mununga	76,670		76,670
Ndimba	277,630		277,630
Nduti	-		-
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	450,756	102,002	348,754
Theta	176,445		176,445
Thumaita	1,902,638	8,199	1,894,438
Tirgaga	14,296,694	8,648,823	5,647,872
Weru	4,166,045		4,166,045
<b>Total</b>	<b>59,622,997</b>	<b>8,811,362</b>	<b>50,811,635</b>

