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## REPORT

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**THE AUDITOR-GENERAL**

ON

**KABIANGA TEA FARM COMPANY  
LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

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**KABIANGA TEA FARM CO. LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

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



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## **Kabianga Tea Farm Co. Ltd.**

### **Annual Reports and Financial Statements For the year ended June 30, 2020**

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#### **KEY COMPANY INFORMATION**

##### **Background information**

Kabianga Tea Farm Company Limited was incorporated under the companies act on 20<sup>th</sup> June 2008. Kabianga Tea Farm Company Ltd previously was wholly owned by the County Council of Kipsigis which became defunct with the promulgation of the constitution of Kenya 2010. The County Government of Kericho became its successor and is represented by the County Executive Committee Member for Agriculture, Livestock & Fisheries Development who is responsible for the general policy and strategic direction of the *company*. The *company* is domiciled in Kenya.

##### **Directors**

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

- |    |                      |                        |  |
|----|----------------------|------------------------|--|
| 1. | Nicholas Kirui       | - Chairman             | - Appointed on 9 <sup>th</sup> July 2019       |
| 2. | Lilian Kerio         | - Member               | - Chief Officer-Agriculture, Livestock & Fish. |
| 3. | Livingstone Kipkoech | - Member-              | - Appointed on 9 <sup>th</sup> July 2019       |
| 4. | Aaron Njoroge        | -Member-               | - Rep. C.O Finance & Economic Planning         |
| 5. | Mary Siele           | - Member -             | - Appointed on 9 <sup>th</sup> July 2019       |
| 6. | Johnson Rono         | -Member - Alternate to | C.O Agriculture, Livestock & Fisheries         |
| 7. | Erick Siele          | - Member               | - Appointed on 9 <sup>th</sup> July 2019.      |

##### **Corporate Secretary**

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

##### **Registered Offices**

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

##### **Corporate Contacts**

Telephone: 254-0746-261 499  
E-mail: [kabiangateafarm@yahoo.com](mailto:kabiangateafarm@yahoo.com)  
Website: [www.kabianga.go.ke](http://www.kabianga.go.ke)



**Kabianga Tea Farm Co. Ltd.**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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**KEY COMPANY INFORMATION (Continued)**

**Corporate Bankers**

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

**Independent Auditors**

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

**Principal Legal Advisers**

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



**Kabianga Tea Farm Co. Ltd.**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

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**CHAIRMAN'S STATEMENT**

Kabianga Tea Farm has a total land area measuring 151 hectares of which 121 hectares is covered with mature tea bushes. The other 30 ha comprises of roads, houses and forest cover.

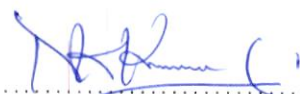
The company practises tea husbandry. In the year ended June 30 2020, the farm delivered 1,968,148.30 kgs ( 2019 -1,789,709.40 kgs) of green leaf tea to its processors. From this volume of green leaf the company realised revenues of Ksh. 46,664,479.90 which is lower compared to revenue in the year 2018/19 of Ksh. 51,523,939.60. The reduction in revenues of green leaf tea of ksh. 4,859,459.70 representing 9% is attributed to drop in prices offered by the processors.

The farm's green leaf tea was processed by Unilever, Williamson Tea (K) Plc and Kapchebet Tea Factory limited. Prices of green leaf tea continued to decline. The average green leaf tea price in 2019/20 was Ksh. 23.70 whereas in 2018/19, the average price of green leaf tea was Ksh. 28.80 a drop of Ksh. 5.10.

The company is facing challenges to enhance revenue generation as it deals with green leaf tea in its raw form and no value addition. The effect of price swings has serious implications on its bottom-line.

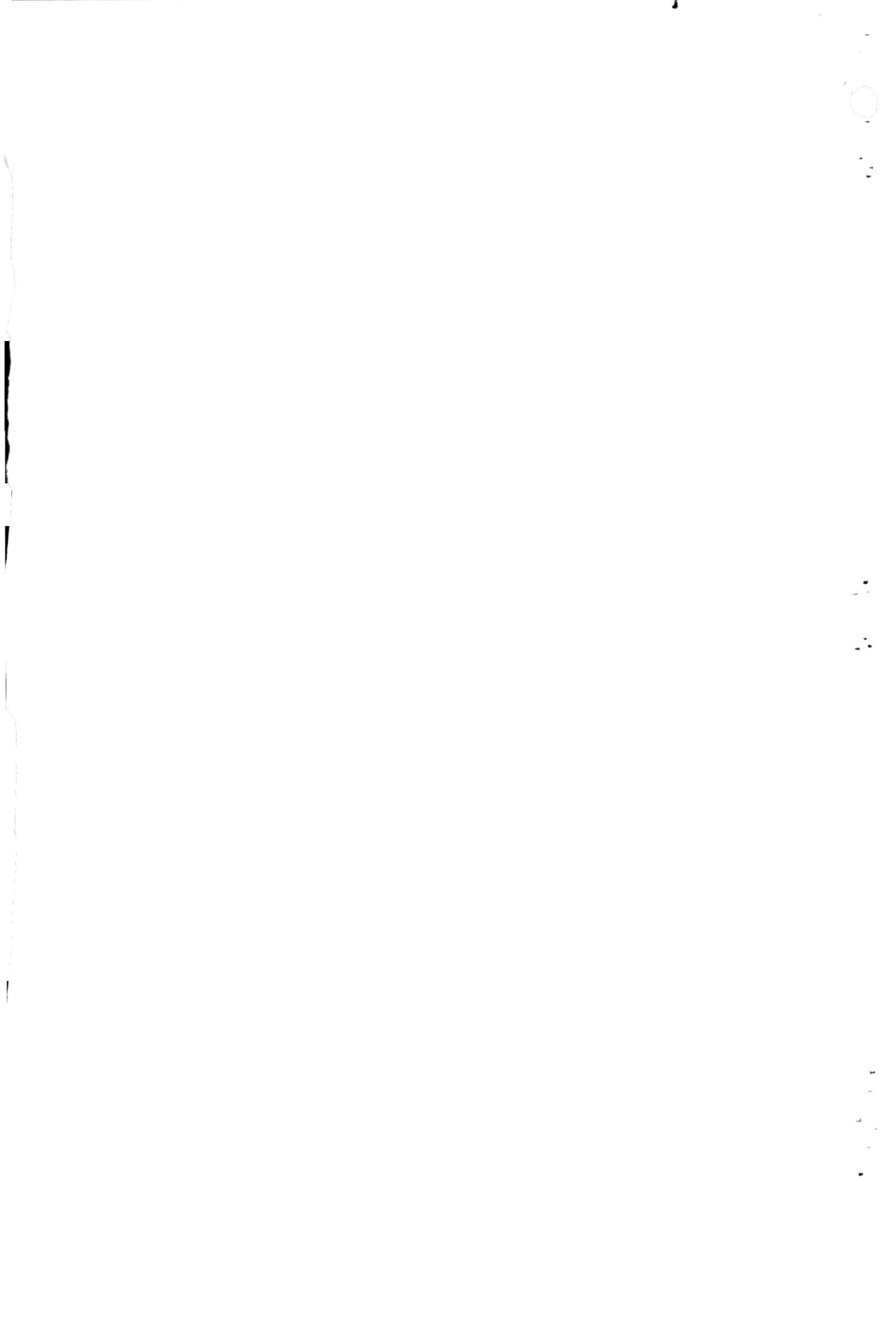
To mitigate the effects of price reductions and selling green leaf tea in raw form, the company is holding consultations with the County government of Kericho to establish a speciality processing factory and source for funding from the county Government through budgetary allocations by the County assembly of Kericho. Towards this end, the Department of Agriculture , Livestock & Fisheries is working on a bill to change the structure of the company from being a limited liability company to an agency of the County Government.

The political environment around mechanized harvesting of tea and its related consequences has also impacted the farm in trying to adopt mechanization. The balance between reducing costs of production and protecting jobs for the residents has been a difficult one to balance.



.....  
Nicholas Kirui  
Chairman- Board of Directors

Date ..... 31/07/2020 .....



**GREEN LEAF TEA.**

The crop harvested in the field in the year under review was 1,968,148.30 kgs (2018/19 - 1,789,709 kgs ) The increase in volume of 178,439kgs is attributed to fewer bushes pruned during the year. The weather condition during year was also favourable as we did not experience any drought situations in the February/April season.

**PERFORMANCE.**

During the year, revenues realised by the company totalled Ksh. 47,854,790.70 down from Ksh. 53,392,939.60 in the previous year. This represents a drop in revenues of Ksh. 5,538,148 representing 10% reduction. The drop in revenues is attributed to low sales of tea/tree seedlings at the nursery and lower price of green leaf tea offered by the processors.


Operating costs were maintained at almost similar level. In the year under review, total costs were Ksh. 25,176,532 whereas in the year 2018/19 the costs were Ksh. 24,931,806.35. Total administrative costs also came down by Ksh. 2,655,589 to Ksh. 25,394,078 during the year from Ksh. 28,049,667 in the year 2019 representing 9% reduction.

The company made an after tax loss of Ksh. 2,606,084 during the year compared with an after tax loss of Ksh. 124,545 in 2019. The loss realised by the company is attributed to low revenues realised during the year under review.

Generally the prices were better in prior year 2018/19 compared to the prices in 2019/20. The drop in prices was attributed mainly to the following;

- i. Huge volumes of green leaf realised due to favourable weather conditions leading to huge stocks of black CTC tea at the Mombasa auction.
- ii. Political instability in the main tea buying countries of Sudan, Pakistan, Egypt.
- iii. The Covid 19 Pandemic led to drop in demand of Tea at the Auction because of logistics related to movement of Tea in and out of the port of Mombasa.

Cost cutting measures were instituted during the course of the year to mitigate against the reduced revenues. Measures taken included extensive use of herbicides to control weeds, adjustment of pruning cycle amongst others.



Patrick Ronoh.  
Manager.

Date ...31/07/2020...

## **CORPORATE GOVERNANCE STATEMENT**

The board is appointed by the County Government of Kericho and serves for a term of 3 years renewable once. There were four directors who were not members of the county Government. They are Mr. Nicholas Kirui - Chairman, Mr Livingstone Kipkoech, Ms Mary Siele and Mr. Kimutai Siele. The other directors who serve by virtue of their offices at the county Government of Kericho are Chief Officer for Agriculture, Livestock & Fisheries Development, Chief Officer- Finance & Economic planning and Joyce Kilel – Company Secretary.

The board of directors seeks to discharge its duties and responsibilities in the best interests of the company, its shareholders, business partners and the community. Our corporate values and ethics are entrenched in our strategic and business objectives and are focussed in transforming and accelerating growth in value for the benefit of all our stakeholders.

The board has established the following sub committees;

### **Technical Committee**

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

### **Human resources Committee.**

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

### **Finance and Procurement Committte**

The Members of this committee are Mr Marie Siele( Chairerson), Kimutai Siele and Mr. Aaron Njoroge.

### **Audit Committe**

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

Officers of the County Government serve at the board by virtue of the offices they hold at the County Government. The role of the board is to maintain effective control over strategic, financial operational and policy issues. Remuneration of the board is based on guidance from government and its agencies. ( Salaries & Remuneration Commission, County Government of Kericho)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The company's primary source of revenue is Green leaf tea contributing over 95% of all revenues earned by the company. As such any price fluctuations to the downward side greatly impacts the company's liquidity.

The company has also strived to ensure compliance with all statutory requirements. As at the reporting date, the company was compliant in payment of all statutory deductions and no arrears existed.

The company had also signed a recognition agreement with Kenya Plantation and Agricultural Workers Union (KPAWU). They are yet to negotiate a Collective bargaining Agreement, a process which is on going.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The company has continued to support education in the community by employing two teachers at the neighbouring Kapmaso Primary school. The company has also employed 3 ECD teachers and provided classrooms to offer early childhood education within its premises. In the area of healthcare, the company operates a dispensary that offers clinical services to its employees. The members of the community have been allowed to access emergency health care services at this clinic.

The company continues to offer subsidized tree seedlings for sale to customers in an effort to support environmental conservation. Each tea seedling is sold at Ksh. 5.00 whereas the market price is Ksh. 10.00. During the year under review, the company managed to sell approximately 80,000 seedlings.

**Kabianga Tea Farm Co. Ltd.**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

**REPORT OF THE DIRECTORS**

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The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the company's affairs.

**Principal activities**

The Company is a tea grower and markets green leaf tea.

**Vision.**

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

**Mission.**

Its mission is to facilitate access to employment opportunities through enabling environment that fosters value for money for socio-economic development.

**Core Values.**

**Transparency**

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

**Equitability**

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

**Customer focus**

Kabianga Tea Farm will endeavours to satisfy its customers' needs.

**Teamwork**

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

**Objectivity**

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

**Integrity**

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

**Courage**

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

**Results**

The results of the company for the year ended June 30, 2020 are set out on page 1.

**Dividends**

The Directors do not recommend payment of any dividends for the year under review. This is as a result of the tough operating environment which led the company realising a deficit (Loss) of **ksh** 2,606,084.45 after tax. In prior year 2018/19 the farm had paid a dividend of Kshs.4.5 million to the County Government of Kericho.

**Directors**

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

**Auditors**

The Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30, 2020.

By Order of the Board



Joyce Kilel  
**Company Secretary**

Date: 31/07/2020



**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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


The Directors are responsible for the preparation and presentation of the *company's* financial statements, which give a true and fair view of the state of affairs of the *company* for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *company*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *company's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act, 2015. The Directors are of the opinion that the *company's* financial statements give a true and fair view of the state of *company's* transactions during the financial year ended June 30, 2020, and of the *company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *company*, which have been relied upon in the preparation of the *company's* financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The *company's* financial statements were approved by the Board on 31/07 2020 and signed on its behalf by:

  
\_\_\_\_\_  
Director

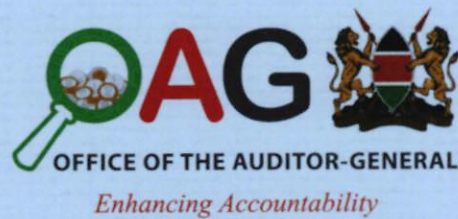
  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON KABIANGA TEA FARM COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kabianga Tea Farm Company Limited set out on pages 1 to 36, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity 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 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kabianga Tea Farm Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Companies Act, 2015.

#### Basis for Qualified Opinion

##### 1. Presentation of the Financial Statements

The financial statements provided for audit review did not show the passport size photographs, qualifications and experience of directors under the Key Company details contrary to the requirement of the Public Sector Accounting Standard Board (PSASB) revised template of 30 June, 2020.

Consequently, the financial statements have not been prepared in accordance with the Public Sector Accounting Standard Board revised template of June, 2020.

##### 2. Inaccuracies in the Financial Statements

The statement of financial position reflects a property, plant and equipment balance of Kshs.46,719,710 as at 30 June, 2020. However, Note 15 to the financial statement reflect Kshs.84,259,704 resulting to unreconciled variance of Kshs.37,539,994.

Consequently, the accuracy of Property, Plant and Equipment balance of Kshs.46,719,710 as at 30 June, 2020 could not be confirmed.

### 3. Variances in Opening Balances

The financial statements for the year ended 30 June, 2020 had the following incorrect opening balances compared to those that were reflected in the audited financial statements for the year ended 30 June, 2019:

Item	Note	Financial Statement Comparative Figures for 30 June, 2020 (Kshs.)	Audited Financial Statements Closing Balance for 30 June, 2019 (Kshs.)	Variance (Kshs.)
Cost of Sales	7	24,931,806	24,857,315	74,491
Administration Costs	10 (a)	28,049,668	28,124,159	(74,491)
Total Operating Expenses		28,049,668	28,124,159	(74,491)
Staff Receivables due after One Year	18 (c)	89,504	0	89,504
Trade and Other Receivables	18 (a)	5,822,923	5,912,427	(89,504)
Total Current Assets		8,837,610	8,927,119	(89,509)

Under the circumstances, the accuracy and completeness of the opening balances for the year ended 30 June, 2020 could not be confirmed.

### 4. Unaudited Cumulative Opening Balances

As previously reported, the Company never submitted financial statements for the nine years ended 30 June, 2018, as required by Section 164(4) of the Public Finance Management Act, 2012 and Section 101(4) of Public Audit Act 2015 which states that an Accounting Officer shall prepare the financial statements in a form that complies with the relevant Accounting Standards prescribed by the Public Sector Accounting Standards Board (PSASB), not later than three months after the end of each of the financial year and submit them to the Auditor-General with a copy to the County Treasury, the Controller of Budget and the National Treasury. Instead Private Certified Auditors were engaged at different times by the Board of Directors to carry out audits for years ended 30 June, 2010 to 30 June, 2018, contrary to Section 23(1) of the Public Audit Act, 2015 which states that; For purposes of carrying out his or her functions under this Act, the Auditor-General may outsource audit services from duly registered audit firms whose partners and staff are not employees of the Office of the Auditor-General and the public service to assist in an examination and audit of accounts.

Consequently, the Management was in breach of the law and the accuracy of the opening balances, cumulatively is doubtful.

### 5. Irregular Expenditure on Audit Fee

Disclosed under Note 25 to the financial statements is accrued expenses comparative figure of Kshs.1,017,079. Included in this figure is an amount of Kshs.181,306 paid to private auditors as audit fee for 2016/2017 and 2017/2018. However, no explanation has

been provided by the management for appointing a private audit firm without the knowledge, consent and approval of the Auditor-General as required by Section 23 of the Public Audit Act, 2015.

Consequently, the company was in breach of the law and therefore the amount of Kshs.181,306 paid to the firms as audit fees was irregular.

## 5. Valuation of Assets

The statement of financial position under property, plant and equipment reflects a balance of Kshs.46,719,710 as at 30 June, 2020. However, the assets were last revalued on 05 July, 2000 by a private valuer. The revaluation surplus was credited to the revaluation reserve account. This is contrary to the International Accounting Standards (IAS) 16 which requires that property, plant and equipment be revalued periodically. Further, an audit review of the fixed assets register revealed that numerous items of property, plant and equipment as highlighted below have remained impaired with zero and obsolete book value but have not been disclosed in the financial statements.

Asset		Purchase Price (Kshs.)	Total Accumulated Depreciation (Kshs.)	Net Book Value (Kshs.)
K63000001	Posho Mill Plus House B17&B92	449,713	449,713	-
K68000002	Grundfos CP8 200H Water Pump (Out of use)	264,566	264,566	-
K68000011	Kapmaso Water Supply	1,091,552	1,091,552	-
K68000012	Kapmaso Water Pump	342,200	342,200	-
K68000016	Water Weir 2003/2004	1,051,091	1,051,091	-
K74000001	Nissan Lorry KAB 335Q - Impaired	2,365,456	2,365,456	-
K74000003	Isuzu NPR Lorry KAR 551 L - Impaired	2,592,063	2,592,063	-
K74000005	Toyota Hino Lorry - KBY 867 R	5,220,000	5,220,000	-
K75000001	MFG Tractor KAH 059Y	1,925,000	1,925,000	-
K77000005	335Q Converted Tipper	634,042	634,042	-
<b>Total</b>		15,935,683	15,935,683	-

Consequently, the accuracy, completeness and validity of the property, plant and equipment balance of Kshs.46,719,710 could not be confirmed.

## 6. Biological Assets

As reported in the previous year, the statement of financial position as at 30 June, 2020 reflects biological assets figure of Kshs.37,540,000. The Company owns 151 hectares of land, of which 121 hectares are covered with mature tea bushes while the remaining 30 hectares comprises roads, houses, forest cover and tradeable tea seedlings.

However, the workings and computations on how the value of the biological assets of Kshs.37,540,000 as at 30 June, 2020 was arrived at were not provided for audit review. It was, therefore, not possible to ascertain whether the valuation did conform to the International Accounting Standards 41(12) which states that biological assets be measured at fair value less costs to sell.

Consequently, the accuracy and the authenticity of biological assets balance of Kshs.37,540,000 as at 30 June, 2020 could not be ascertained.

### **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**

### **Budget and Budgetary Performance**

During the year under review, the Company had budgeted for receipts of Kshs.57,229,000 while actual receipt realized was Kshs.47,854,790 resulting to a shortfall of Kshs.9,374,210. The farm budgeted to spend Kshs.54,708,798 while actual expenditure reported was Kshs.50,570,611 resulting to under expenditure of Kshs.4,138,187.

The under-absorption of the approved budget is an indication that some activities and projects in the annual plan were not implemented by the Company negatively affecting delivery of goods and services.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Failure to pay Outstanding Audit Fees**

Included in the statement of financial position under trade and other payables balance of Kshs.3,926,970 is an amount of Kshs.174,000 owed to Kenya National Audit Office (now Office of the Auditor-General) being outstanding audit fee for the year ended 30 June, 2010.

No explanation has been provided for the delay in settling the audit fee since 2010.

## **2. Ethnic Composition**

Review of the Staff Establishment Records of the Company revealed that sixty six (66) out of the total number of staffs of eighty one (81) which represent 81% are from the dominant ethnic community of the area which is against the National Cohesion and Integration Commission Act, 2008 Section 7(1) which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, (2) No public establishment shall have more than one third of its staff from the same ethnic community.

The audit was conducted in accordance with ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to 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 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, except for the matter described in the basis for conclusion on effectiveness of internal controls, risk management and governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

##### **Motor Vehicles with Private Registration Number Plates**

As was reported in the previous year, included in the property, plant and equipment disclosed under Note 15 to the financial statements are motor vehicles which are valued at a cost of Kshs.21,235,309 as at 30 June, 2020. Included in this amount are three (3) vehicles valued at Kshs.13,369,050 that had private number plates. Authority to use private number plates from NTSA was not provided for audit review.

Consequently, the private number plates may result to the vehicles being easily used for private activities.

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.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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

uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

28 January, 2022

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR  
THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020 KSh	2018/2019 KSh
<b>REVENUES</b>			
Revenue	6	46,664,479.90	51,523,939.60
Cost of sales	7	(25,176,532.65)	(24,931,806.35)
Gross profit		<b>21,487,947.25</b>	<b>26,666,624.25</b>
Interest income	8	2,424.00	2,280.00
Other Income	9	1,187,886.80	1,866,720.00
<b>TOTAL REVENUES</b>		<b>22,678,258.05</b>	<b>28,535,624.25</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	10(a)	25,394,078.74	28,049,667.91
<b>TOTAL OPERATING EXPENSES</b>	<b>10(a)</b>	<b>25,394,078.74</b>	<b>28,049,667.91</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(2,715,820.69)</b>	<b>411,465.44</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	<b>12</b>	<b>109,736.24</b>	<b>(536,010.00)</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(2,606,084.45)</b>	<b>(124,545.44)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value through comprehensive income			
Surplus or deficit on revaluation of PPE			
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(2,606,084.45)</b>	<b>(124,545.44)</b>
Earnings per share – basic and diluted	13	-	-
Dividend per share	14	-	-

Kabianga Tea Farm Co. Ltd.

Annual Reports and Financial Statements  
For the year ended June 30, 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019-20 Kshs	2018-19 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	15	46,719,710	50,292,218
Intangible assets	16	175,000	350,000
Biological Assets	15	37,540,000	37,540,000
Staff receivables due after one year	18(c)	31,580	89,504
<b>Total Non-Current Assets</b>		<b>84,466,290</b>	<b>88,271,722</b>
<b>Current Assets</b>			
Inventories	17	569,622	2,164,537
Trade and other receivables	18(a)	4,329,136	5,822,923
Tax recoverable	19	389,115	279,379
Bank and cash balances	20	1,629,890	570,771
<b>Total -Current Assets</b>		<b>6,917,763</b>	<b>8,837,610</b>
<b>Total Assets</b>		<b>91,384,050</b>	<b>97,109,336</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	21	100,000	100,000
Revaluation reserve	31(iv)	78,423,502	79,411,111
Retained earnings	31(iv)	8,665,003	10,283,479
Proposed dividends			
<b>Capital and Reserves</b>		<b>87,188,505</b>	<b>89,794,590</b>
<b>Non-Current Liabilities</b>			
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Current Liabilities</b>			
Trade and other payables	25	3,926,970	7,178,576
Provision for leave pay	27	268,575	136,170
<b>Total Current Liabilities</b>		<b>4,195,545</b>	<b>7,314,746.70</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>91,384,050</b>	<b>97,109,336</b>

The financial statements were approved by the Board on 31/07/2020 and signed on its behalf by:

  
C.E.O

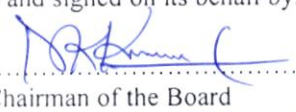
Name: Patrick Patrick

Date: 31/07/2020

  
Head of Finance

Name: Bernard Bore

ICPAK M/NO: 14339

  
Chairman of the Board

Name: Nicholas Bore

Date: 31/07/2020



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Devel. Grants Fund	Total
<b>At July 1, 2018</b>	<b>100,000</b>	<b>80,398,720</b>	-	<b>13,920,416</b>	-	-	<b>94,419,136</b>
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(987,609)	-	987,609	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(124,545)	-	-	(124,545)
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2017	-	-	-	-	-	-	-
Interim dividends paid – 2018	-	-	-	(4,500,000)	-	-	(4,500,000)
Proposed final dividends	-	-	-	-	-	-	-
<b>At June 30, 2019</b>	<b>100,000</b>	<b>79,411,111</b>	-	<b>10,283,479</b>	-	-	<b>89,794,590</b>
<b>At July 1, 2019</b>	<b>100,000</b>	<b>79,411,111</b>	-	<b>10,283,479</b>	-	-	<b>89,794,590</b>
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(987,609)	-	987,609	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(2,606,084)	-	-	(2,606,084)
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from	-	-	-	-	-	-	-



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	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital Development Grants Fund	Total
capital fund to retained earnings							
Dividends paid – 2018	-	-	-	-	-	-	-
Interim dividends paid – 2020	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
<b>At June 30, 2020</b>	<b>100,000</b>	<b>78,423,502</b>	-	<b>8,665,003</b>	-	-	<b>87,188,505</b>



**Kabianga Tea Farm Co Ltd.**  
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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	28	1,059,119	969,773
Dividends paid		-	(4,500,000)
Taxation paid		-	(815,390)
<b>Net cash generated from/(used in) operating activities</b>		<b>1,059,119</b>	<b>(4,345,617)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	15	-	(184,000)
Proceeds from disposal of property, plant and equipment			
Purchase of intangible assets			
Purchase of investment property			
Purchase of quoted investments			
Proceeds from disposal of quoted investments			
<b>Net cash generated from/(used in) investing activities</b>		<b>-</b>	<b>(184,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of new share capital			
Proceeds from borrowings			
Repayment of borrowings			
<b>Net cash generated from/(used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>1,059,119</b>	<b>(4,529,616)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
		<b>570,771</b>	<b>5,100,388</b>
Effects of foreign exchanges rate fluctuations		-	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>20</b>	<b>1,629,890</b>	<b>570,771</b>

**Annual Reports and Financial Statements**  
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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020**

	2019-2020	Adjustments	2019-2020	2020-2020	Comparison
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Green Leaf Volume in Kgs	2,140,000	-	2,140,000	1,968,148	(171,852)
Sale of Green Leaf Tea	55,080,000	-	55,080,000	46,664,479	(8,415,520)
Other income	2,149,000	-	2,149,000	1,190,310	(958,690)
<b>Total income</b>	<b>57,229,000</b>	<b>-</b>	<b>57,229,000</b>	<b>47,854,790</b>	<b>(9,374,210)</b>
<b>Costs of Sales</b>					
Plucking	21,400,000	-	21,400,000	20,359,948	1,040,052
Fertilizer	1,900,500	-	1,900,500	3,028,376	(1,127,876)
Weeding	2,517,690	-	2,517,690	1,266,023	1,251,666
Materials ( Tea Nursery)	395,000	-	395,000	273,873	121,527
Prunning & Skiving	807,257	-	807,257	248,311	558,945
<b>Total Cost Of Sales</b>	<b>27,020,847</b>	<b>-</b>	<b>27,020,847</b>	<b>25,176,532</b>	<b>1,844,315</b>
<b>Staff Costs</b>	<b>16,238,007</b>	<b>-</b>	<b>16,238,007</b>	<b>15,778,775</b>	<b>459,232</b>
General Overheads	724,400	-	724,400	4,311,501	(3,587,101)
Repairs & Maintenance	423,750	-	423,750	484,101	(60,351)
Vehicle Expenses	1,628,467	-	1,628,467	1,358,130	270,337
Administration Expenses	8,673,327	-	8,673,327	3,461,571	5,211,756
<b>Total Operating Expenses</b>	<b>27,687,951</b>	<b>-</b>	<b>27,687,951</b>	<b>25,394,078</b>	<b>2,293,873</b>
<b>Total Costs &amp; Expenses</b>	<b>54,708,798</b>	<b>-</b>	<b>54,708,798</b>	<b>50,570,611</b>	<b>4,138,187</b>
<b>Surplus for the period</b>	<b>2,520,201</b>	<b>-</b>	<b>2,520,201</b>	<b>(2,715,820)</b>	<b>(5,236,022)</b>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Differences 2019-2020	Explanations in Performance Differences
<b>Revenue</b>	<b>Kshs</b>	
Green Leaf Volume in Kgs	(171,852)	Use of a third factory ( Changoi) Whose leaf quality standards is Stringent
Sale of Green Leaf Tea	(8,415,520)	Green leaf tea Price decline by the factories and non payment of Bonus by Unilever
Other income	(958,690)	Fewer tea seedlings propagated at the Nursery- Mature tea seedlings take more than 12 months before being available for sale.
<b>Total income</b>	<b>(9,374,210)</b>	Lower Green leaf tea harvested & price reduction by the factories.
Plucking	1,040,052	Lower volume of green leaf tea harvested.
Fertilizer	(1,127,876)	Collected 359 bags of Fertilizer towards year end and applied to fields directly. This was allocation for the F/Y 2020/21
Weeding	1,251,666	Due to lower revenues, most of the weeds in the fields were managed by use of herbicides.
Materials ( Tea Nursery)	121,527	This arose due use fewer tea /tree seedlings Propagated at the Nursery Unit.
Pruning & Skiving	558,945	Skiving was sparingly done, and pruning that had been planned was delayed due to low revenues.
<b>Total Cost Of Sales</b>	<b>1,844,315</b>	
Staff Costs	459,232	Some benefits were suspended i.e House allowances due to lower revenues.
General Overheads	(3,587,101)	Depreciation charge amounting to 3.7 million provided in the accounts yet it had not been factored in the budget estimates.
Repairs & Maintenance	(60,351)	Acquisition of digital scales to minimize variance in Green Leaf Weights between factory and field.
Vehicle Expenses	270,337	
Administration Expenses	5,211,756	Trainings that had been planned to be undertaken in the course of the year not done due to low revenues.
<b>Total Operating Expenses</b>	<b>2,293,873</b>	
<b>Total Costs &amp; Expenses</b>	<b>4,138,187</b>	
<b>Surplus for the period</b>	<b>(5,236,022)</b>	<b>Low revenues occasioned by low volumes / low prices, and fewer sales at the nursery led to this negative variance.</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Kabianga Tea Farm Company Ltd is established by and derives its authority and accountability from the Companies Act, 2015. The company is wholly owned by the County Government of Kericho and is domiciled in Kenya. The company's principal activity is selling of green leaf tea from its 151 ha farm situated in Kericho West- Belgut Sub County.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the company's accounting policies.

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

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

### **3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

#### **i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

##### ***IFRS 16: Leases***

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)**

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. The company did not have any running lease during the year under review.

***IFRIC 23: Uncertainty Over income tax treatments***

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

***Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)***

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

***Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)***

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that a company applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

***Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.***

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)**

*Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when a company obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

*Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the company originally recognised the transactions to which they are linked.

*Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

*Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)*

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires a company to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the company re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

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

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

*IFRS 17 Insurance Contracts (Issued 18 May 2017)*

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

*Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)*

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

**iii) Early adoption of standards**

The company did not early – adopt any new or amended standards in year 2020.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

**a) Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the *company* and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *company's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *company's* activities as described below.

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**b) In-kind contributions**

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

**c) Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

**d) Depreciation and impairment of property, plant and equipment**

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

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

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

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

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

**e) Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over four years.

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f) Amortization and impairment of intangible assets**

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of four years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the company, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external valuers. Changes in fair values are included in profit or loss in the income statement.

**h) Finance and operating leases**

Leases which confer substantially all the risks and rewards of ownership to the company are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

**j) Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

**l) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

**m) Trade and other receivables**

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

**n) Taxation**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

*Current income tax (Continued)*

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

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

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n) Taxation (Continued)**

*Deferred tax (Continued)*

the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority.

**o) Cash and cash equivalents**

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

**p) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

**q) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the company or not, less any payments made to the suppliers.

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r) Retirement benefit obligations**

The company operates a defined contribution scheme for all full-time employees from November 1, 2017. The scheme is administered by LAPFUND and is funded by contributions from both the company and its employees. The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% of the employees earnings capped at Ksh.18,000 per month.

**s) Provision for staff leave pay**

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

**t) Budget information**

The company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**u) Service concession arrangements**

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

**v) Comparative figures**

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

**w) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

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

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the Company
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

**Provisions**

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 6. REVENUE

	2019/2020	2018/2019
	Ksh.	Ksh.
Volume of Green Leaf Tea (Kgs)- Area under Tea – 121 Ha	1,968,148.30	1,789,709.40
Gross sales of Green Leaf Tea	46,664,479.90	51,523,939.60
<b>Total</b>	<b>46,664,479.90</b>	<b>51,523,939.60</b>

The company delivered 307,379kgs of leaf to Unilever Tea for the period Jan-june 2020. The Company expects a bonus from this volume. The rate of bonus pay cannot be reliably estimated. In 2019, Unilever paid bonus at a rate of Ksh. 0.61 per kg.

## 7. COST OF SALES

	2019/2020	2018/2019
	Ksh.	Ksh.
Plucking	20,359,948.00	17,836,495.00
Fertilizer	3,028,376.50	1,952,538.00
Weeding	1,266,023.65	3,252,171.75
Nursery Unit	273,873.00	567,035.00
Pruning/Skiving	248,311.50	1,323,566.00
<b>Total</b>	<b>25,176,532.65</b>	<b>24,931,806.35</b>

## 8. INTEREST INCOME

Description	2018-2019	2017/2018
	Ksh.	Ksh.
Interest	2,424.00	2,280.00
<b>Total</b>	<b>2,424.00</b>	<b>2,280.00</b>

## 9. OTHER INCOME.

	2019/2020	2018/2019
	Ksh.	Ksh.
Water	49,700.00	193,970.00
Rental	309,500.00	252,000.00
Tea Plants( Nursery)	403,400.00	1,124,215.00
Tree Plants(Nursery)	399,130.00	187,985.00
Other Miscellaneous receipts	26,156.80	108,550.00
<b>Total</b>	<b>1,187,886.80</b>	<b>1,866,720.00</b>

**Kabianga Tea Farm Co. Ltd.**

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For the year ended June 30, 2020**

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

**10. (a) ADMINISTRATION COSTS**

	2019/2020	2018/2019
Staff costs (note 10b)	15,778,775.50	16,704,671.00
Directors' emoluments	1,579,020.00	882,000.00
Electricity and water	553,038.18	594,114.00
Communication services and supplies	188,234.00	111,600.00
Transportation, travelling and subsistence	33,650.00	427,250.00
Advertising, printing, stationery and photocopying	56,765.00	177,049.00
Fuel	938,885.20	932,207.20
Staff training expenses	11,200.00	230,270.00
Hospitality supplies and services	190,982.00	446,565.00
Insurance costs	350,172.10	666,946.00
Bank charges and commissions	51,953.75	44,819.49
Office and general supplies and services	241,556.00	287,146.40
Auditors' remuneration	110,000.00	102,749.50
Legal fees	-	781,389.00
Consultancy fees	95,000.00	98,000.00
Repairs and maintenance	903,345.90	1,444,468.85
Provision for bad and doubtful debts	100,000.00	300,000.00
Other operating expenses	4,211,501.02	3,818,422.47
<b>Total</b>	<b>25,394,078.74</b>	<b>28,049,667.91</b>

**10 (b) STAFF COSTS**

Salaries and allowances of permanent employees	9,763,415.00	10,225,297.30
Wages of temporary employees	2,682,127.50	3,390,242.75
Compulsory national social security schemes	1,609,328.00	1,618,059.00
Other pension contributions	1,245,240.00	1,310,571.95
Leave pay and gratuity provisions	478,665.00	160,500.00
<b>Total</b>	<b>15,778,775.50</b>	<b>16,704,671.00</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	6	6
Permanent employees – Unionisable	75	81
Temporary and contracted employees	360	353
<b>Total</b>	<b>441</b>	<b>439</b>

**Kabianga Tea Farm Co. Ltd.****Annual Reports and Financial Statements  
For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (Continued)****11. OPERATING PROFIT/(LOSS)**

	2019/2020	2018/2019
	Ksh.	Ksh.
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 10b)	15,778,775.50	16,704,671.00
Depreciation of property, plant and equipment	3,572,513.85	3,580,638.72
Amortisation of intangible assets	175,000.00	175,000.00
Provision for bad and doubtful debts	100,000.00	300,000.00
Directors' emoluments - fees	1,355,980.00	704,000.00
- other	223,040.00	178,000.00
Auditors' remuneration - current year fees	110,000.00	102,749.50
- prior year under-provision	-	-
Loss on disposal of property, plant and equipment	-	-
Net foreign exchange loss	-	-
Interest receivable	-	-
Interest payable	-	-
Rent receivable	(309,500.00)	(252,000.00)
<b>Total</b>	<b>21,005,809</b>	<b>21,493,059</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. INCOME TAX EXPENSE/(CREDIT)

## (a) Current taxation

	2019-2020	2018-2019
	KSh	KSh
Current taxation based on the adjusted profit for the year at 30%	(109,736.24)	536,010.78
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	<b>(109,736.24)</b>	<b>536,010.78</b>

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

	2019-2020	2018-2019
	KSh	KSh
Profit before taxation	(2,715,820.69)	411,465.34
Tax at the applicable tax rate of 30%	(814,746.21)	123,439.60
Current tax		
Prior year under-provision		
Tax effects of expenses not deductible for tax purposes	70,029.50	2,779.13
Tax effects of income not taxable		
Tax effects of excess capital allowances over depreciation/amortization	634,980.46	409,792.05
Deferred tax prior year over-provision		
<b>Total</b>	<b>(109,736.24)</b>	<b>536,010.78</b>

**Kabianga Tea Farm Co. Ltd.**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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

**13. EARNINGS PER SHARE**

The earnings per share is calculated by dividing the loss after tax of Kshs2,606,084(2018-2019: Kshs.124,545) by the average number of ordinary shares in issue during the year of 5,000 (2018-2019: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

**14. DIVIDEND PER SHARE**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2020, no dividends are proposed in respect of the year ended June 30, 2020. (2019: Kshs. 4,500,000).

For the year ended June 30, 2020

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 15. PROPERTY, PLANT AND EQUIPMENT

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

Note: The valuations were done on 5th July 2000 by Kinyua Koech Limited, Registered Valuers on the basis of open market valuation. The revaluation surplus was credited to revaluation reserve. Property, plant and equipment include the following items that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	4,363,498.65	436,350
Motor vehicles, including motor cycles	12,916,259.00	3,229,064.75
Computers and related equipment	524,355.00	131,088.75
Office equipment, furniture and fittings	49,880	6,235.00
Buildings & Civil Works	26,192,500	1,309,625
	<b>44,046,492.65</b>	<b>5,112,363.50</b>

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

**15 PROPERTY, PLANT AND EQUIPMENT (Continued)**

2019	Freehold land	Biological Assets	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
<b>COST OR VALUATION</b>								
At July 1, 2018	44,760,000.00	37,540,000.	26,638,934	4,760,098.65	21,235,309.00	524,354.00	651,037.35	136,109,733
Additions						184,000.00		184,000
Transfers								
Disposals								
<b>At June 30, 2019</b>	<b>44,760,000.00</b>	<b>37,540,000.</b>	<b>26,638,934</b>	<b>4,760,098.65</b>	<b>21,235,309.00</b>	<b>708,354.00</b>	<b>651,037.5</b>	<b>136,293,733</b>
<b>DEPRECIATION</b>								
At July 1, 2018			23,925,632	4,468,618.	15,845,372	516,229.00	125,025	44,880,876
Charge for the year			1,331,946.	39,660	2,079,762.	54,125.00	75,144	3,580,637
Impairment loss								
Eliminated on disposal								
<b>At June 30, 2019</b>			<b>25,257,575</b>	<b>4,508,278</b>	<b>17,925,134</b>	<b>570,354</b>	<b>200,169</b>	<b>48,461,510</b>
<b>NET BOOK VALUE At June 30, 2019</b>	<b>44,760,000.00</b>	<b>37,540,000.</b>	<b>1,381,359</b>	<b>251,821</b>	<b>3,310,174.</b>	<b>138,000</b>	<b>450,869</b>	<b>87,832,223</b>

Note: The valuations were done on 5th July 2000 by Kinyua Koech Limited, Registered Valuers on the basis of open market valuation. The revaluation surplus was credited to revaluation reserve. Property, plant and equipment include the following items that are fully depreciated:

	Cost or valuation	Normal annual Dep. Charge
Plant and machinery	4,318,406	39,660
Motor vehicles, including motor cycles	12,852,080	2,079,762
Computers and related equipment	633,623	229,125
Office equipment, furniture and fittings	49,880	75,144
Buildings & Civil Works		
	<b>17,853,989</b>	<b>2,354,782</b>

**Kabianga Tea Farm Co. Ltd.**

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

**16. INTANGIBLE ASSETS**

	2019-2020	2018-2019
	KSh	KSh
<b>COST</b>		
At July 1	700,000.00	700,000.00
Additions		
Disposals		
At June 30	<b>700,000.00</b>	<b>700,000.00</b>
<b>AMORTISATION</b>		
At July 1	350,000	175,000
Charge for the year	175,000	175,000
Disposals		
Impairment loss		
At June 30	<b>525,000</b>	<b>350,000</b>
<b>NET BOOK VALUE</b>		
At June 30	<b>175,000</b>	<b>350,000</b>

The intangible asset comprises Payroll Processing software acquired in 2017.

**Kabianga Tea Farm Co. Ltd.**

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**For the year ended June 30, 2020**

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

**17. INVENTORIES**

	2019-2020	2018-2019
	KSh.	KSh.
Estate Stores/Nurseries	569,622.00	418,256
Fuel, oil and lubricants		31,281
Fertilizer		1,715,000
	<b>569,622.00</b>	<b>2,164,537.60</b>

**18. (a) TRADE AND OTHER RECEIVABLES**

	2019-2020	2018-2019
	KSh.	KSh.
Trade receivables (note 18 (b))	5,448,521	6,692,620
Staff receivables (note 18 (c))	428,076	635,687
Other receivables	574,005	574,005
Gross trade and other receivables	6,450,602	7,902,312
Provision for bad and doubtful receivable	(2,089,886)	(1,989,886)
Net trade and other receivables	<b>4,360,716</b>	<b>5,912,426</b>
	=====	=====
Amounts due after one year (18 (c))	31,580	89,504
Amounts due within one year	4,329,136	5,822,923

**18 (b) TRADE RECEIVABLES**

	2019-2020	2018-2019
	KSh.	KSh.
Gross trade receivables	5,448,521	6,692,620
Provision for doubtful receivables	(1,188,209)	(1,138,209)
	<b>4,260,312</b>	<b>5,554,411</b>
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	3,295,168	5,185,480
Between 30 and 60 days	81,047	
Between 61 and 90 days	244,990	50,596
Between 91 and 120 days	465,882	
Over 120 days	1,361,432	1,465,543
	<b>5,448,521</b>	<b>6,692,620</b>
	=====	=====

**Kabianga Tea Farm Co. Ltd.**

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

**18 (c) STAFF RECEIVABLES**

	2019-2020	2018-2019
Gross staff loans and advances	428,076	635,687
Other Receivables	574,005	574,005
Gross staff & Other Receivables	<b>1,002,081</b>	<b>1,209,692</b>
Provision for impairment loss	(901,677)	(851,677)
	100,404	358,015
Less: Amounts due within one year	(68,824)	(268,511)
Amounts due after one year	<u>31,580</u>	<u>89,504</u>

**19. TAX RECOVERABLE**

	2019-2020	2018-2019
	Kshs	Kshs
At beginning of the year	(279,379.22)	-
Income tax charge for the year (note 12)	(109,736.24)	536,010.78
Income tax paid during the year	-	(815,390.00)
At end of the year	<u>(389,115.46)</u>	<u>(279,379.22)</u>

**20. BANK AND CASH BALANCES**

	2019-2020	2018-2019
	Kshs	Kshs
Cash at bank	1,622,375.23	515,059
Cash in hand	7,514.85	55,711
	<u>1,629,890.08</u>	<u>570,770</u>

**Kabianga Tea Farm Co. Ltd.**

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

The make – up of bank balances and short term deposits is as follows:

**Detailed analysis of the cash and cash equivalents**

Bank/Institution	Account number	2019-2020	2018-2019
<b>a) Current account</b>			
Kenya Commercial bank	1118952898	5,379.00	5,988
Cooperative Bank	01136053920600	1,616,996.23	509,071
<b>Sub- total</b>		<b>1,622,375.23</b>	<b>515,059</b>
<b>b) Others</b>			
Cash in transit			
Cash in hand		7,514.00	55,711.00
M pesa			
<b>Sub- total</b>		<b>7,154.00</b>	<b>55,711.75</b>
<b>Grand total</b>		<b>1,629,890.08</b>	<b>570,771.38</b>

**21. ORDINARY SHARE CAPITAL**

	2019-2020	2018-2019
	Kshs	Kshs
<b>Authorised:</b>		
5000 ordinary shares of Kshs.20.00 par value each	100,000.00	100,000.00
	=====	=====
<b>Issued and fully paid:</b>		
5,000 ordinary shares of Kshs.20 par value each	100,000.00	100,000.00
	=====	=====

**22. REVALUATION RESERVE**

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

**23. FAIR VALUE ADJUSTMENT RESERVE**

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

**Kabianga Tea Farm Co. Ltd.**

**Annual Reports and Financial Statements**

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

**24. RETAINED EARNINGS**

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

**25. TRADE AND OTHER PAYABLES**

	2019	2020
	KSh.	KSh.
Trade payables	1,029,649.29	2,117,427.50
Accrued expenses	292,802.60	1,017,078.50
Other payables(Payroll)	2,604,518.45	4,044,070.67
	<b>3,926,970.34</b>	<b>7,178,576.67</b>
	=====	=====

**26. RETIREMENT BENEFIT OBLIGATIONS**

The company operates a defined contribution scheme for all full-time employees from November 1, 2017. The scheme is administered by LAPFUND and is funded by contributions from both the company and its employees. The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% of the employees earnings capped at Ksh.18,000 per month.

**27. PROVISION FOR LEAVE PAY**

	2019	2020
	KSh.	KSh.
Balance at beginning of the year	136,170	545,460
Additional provision at end of year	132,405	
Leave paid out or utilized during the year		(409,290)
Balance at end of the year	<b>268,575</b>	<b>136,170</b>
	=====	=====

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



**Kabianga Tea Farm Co. Ltd.**

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

**28. NOTES TO THE STATEMENT OF CASH FLOWS**

<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)	(2,715,820)	411,464
Depreciation	3,572,513	3,580,638
Amortisation	175,000	175,000
(Gain)/loss on disposal of property, plant and equipment		
Operating profit/(loss) before working capital changes	1,031,693	4,167,103
(Increase)/decrease in inventories	1,594,915	(1,001,393)
(Increase)/decrease in trade and other receivables	1,551,710	2,173,168
Increase/(decrease) in trade and other payables	(3,251,606)	(3,823,645)
Increase/(decrease) in retirement benefit obligations		
Increase/(decrease) in provision for staff leave pay	132,405	(545,460)
Cash generated from/(used in) operations	1,059,118	969,773
	=====	=====
<b>(b) Analysis of cash and cash equivalents</b>		
Short term deposits	-	-
Cash at bank	1,622,375	515,059
Cash in hand	7,514	55,711
Balance at end of the year	1,629,890	570,771
	=====	=====

**29 RELATED PARTY DISCLOSURES**

**(a) County Government of Kericho.**

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

Other related parties include:

- i) The Department of Agriculture, Livestock & Fisheries Development.
- ii) Board of directors;



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

<b>a) Key management compensation</b>		
Directors' emoluments	1,355,980	704,000
Compensation to the CEO	1,074,000	1,056,000
Compensation to key management	1,671,840	1,635,360
<b>Total</b>	<b>4,101,820</b>	<b>3,395,360</b>

31 FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

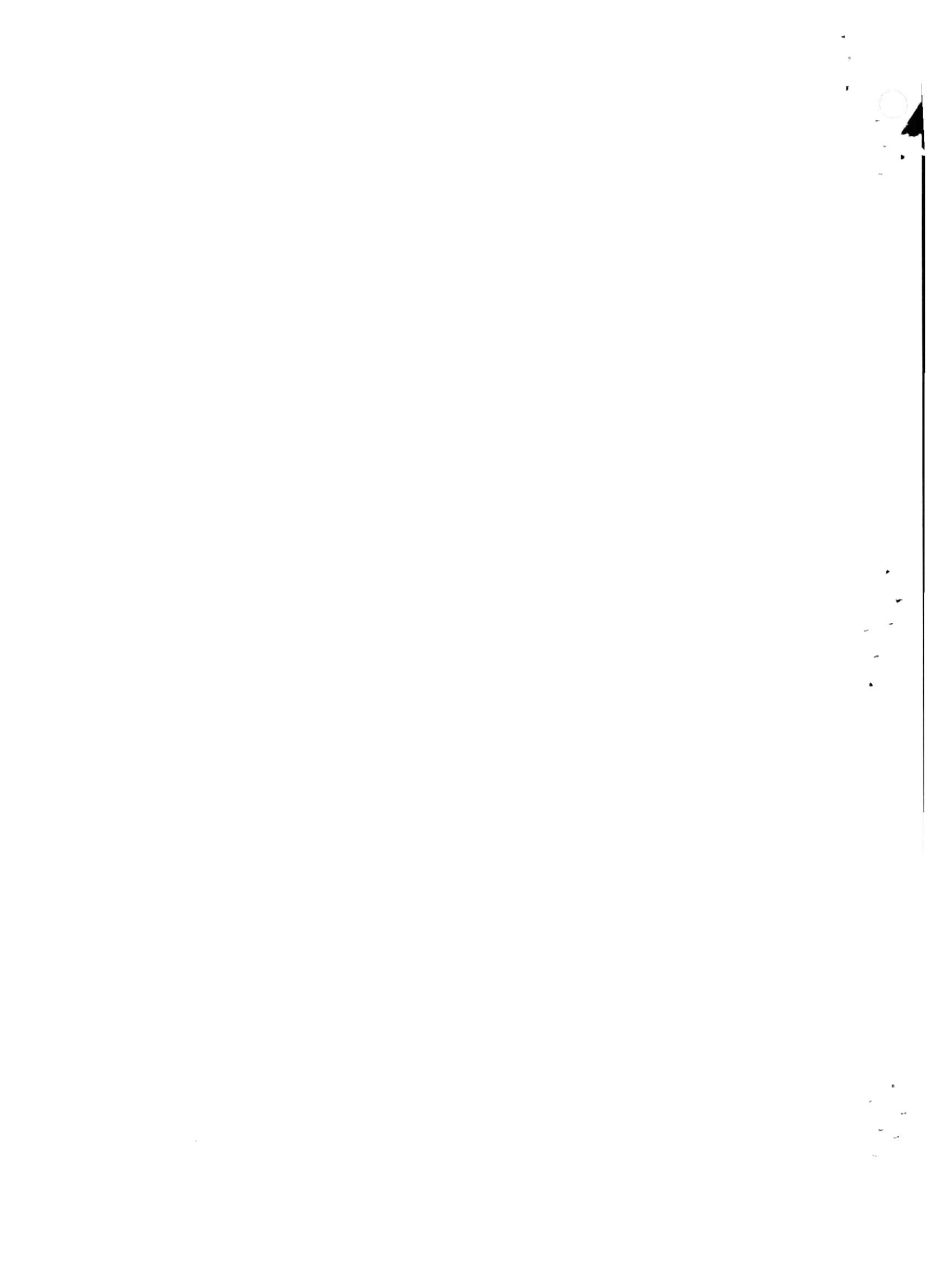
(i) **Credit risk**

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.



**31 FINANCIAL RISK MANAGEMENT (Continued)**

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the company's directors, who have built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

**iv) Capital Risk Management**

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



**Kabianga Tea Farm Co. Ltd.**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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

**31 FINANCIAL RISK MANAGEMENT (Continued)**

	2019-2020	2018-2019
Revaluation reserve	78,423,502	79,411,111
Retained earnings	8,665,003.	10,283,479
Capital reserve	100,000	100,000
<b>Total funds</b>	<b>87,188,505</b>	<b>89,794,590</b>
Total borrowings	-	-
Less: cash and bank balances	(1,629,890)	(570,771)
Net debt/(excess cash and cash equivalents)	85,558,615	89,223,819

**32 INCOPORATION**

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

**33 EVENTS AFTER THE REPORTING PERIOD**

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

**34 CURRENCY**

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



**Kabianga Tea Farm Co. Ltd.**

**Annual Reports and Financial Statements  
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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.2	Composition of the board of Directors	County Legal office working on regularization	Mr. Nicholas Kirui- Chairman of Board.	Not Resolved	31/12/2021
4.3	Non Submission of Financial Statements to OAG	The statements to be presented to OAG for Audit	Mr. Bernard Bore- Accountant	Not resolved	30/06/2021
4.6	Valuation of Assets	Company to set a budget for valuation exercise	Nicholas Kirui –Board Chairman	Not Resolved	30/06/2021

Manager.

Name..... *Rash Patrick*

Sign..... *[Signature]*

Date..... *24/9/2021*

Chairman of the Board

Name..... *Nicholas Kirui*

Sign..... *[Signature]*

Date..... *04/09/2021*

