

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 16 APR 2024

DAY:
TUESDAY

PARLIAMENT
OF KENYA
LIBRARY

TABLED
BY:

HON. OWEN BAYA, CBS MP
DI MAJORITY PARTY LEADER

OF

CLERK-AT
THE-TABLE:

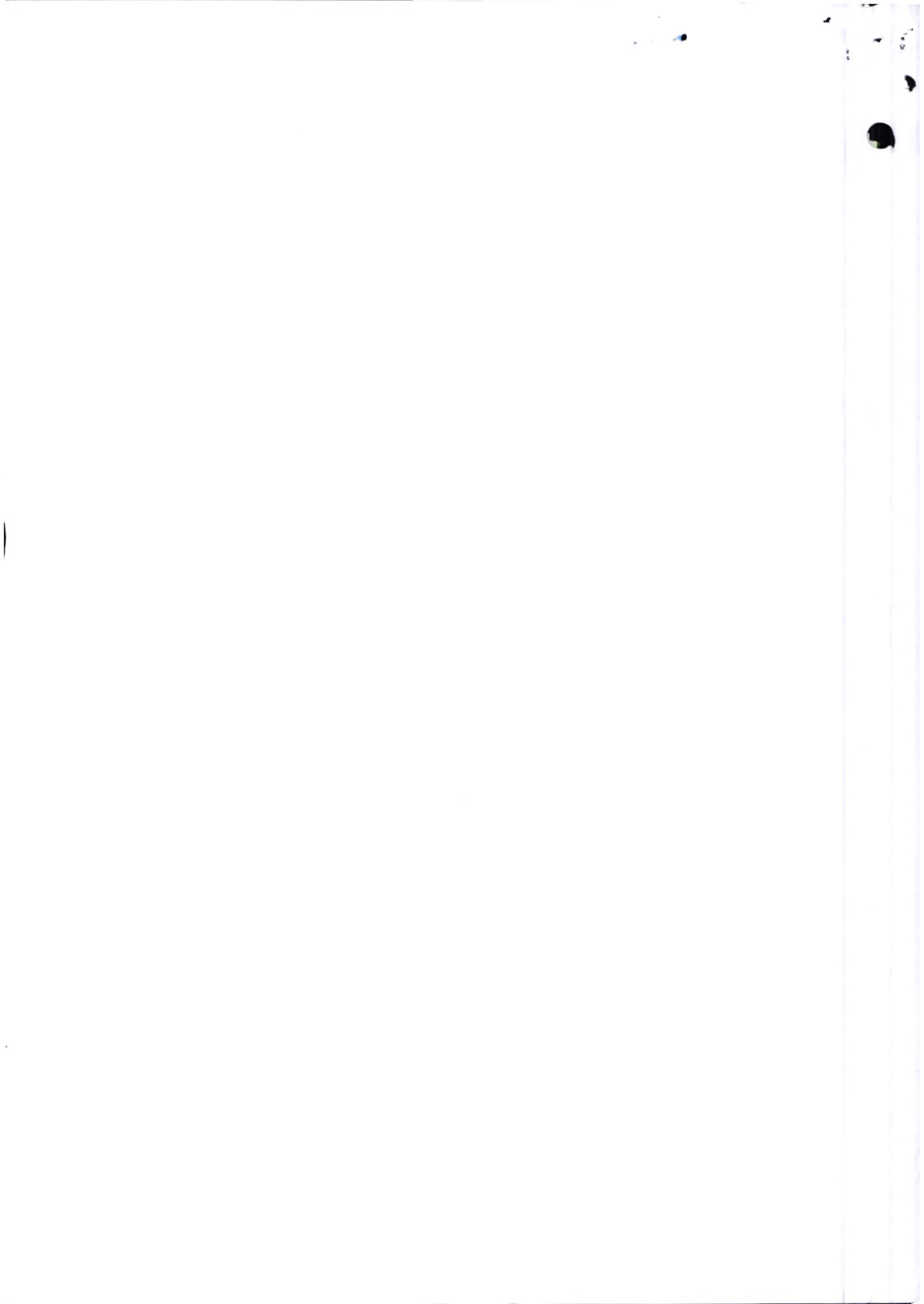
INZOVU MWALE

THE AUDITOR-GENERAL

ON

NYAYO TEA ZONES DEVELOPMENT CORPORATION

FOR THE YEAR ENDED 30 JUNE, 2023



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
28 FEB 2024
RECEIVED



NYAYO TEA ZONES DEVELOPMENT CORPORATION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

| Table of Contents | Page |
|--|-------------|
| 1. Acronyms and Glossary of Terms..... | iii |
| 2. Key Entity Information..... | iv |
| 3. The Board of Directors..... | vi |
| 4. Key Management Team..... | ix |
| 5. Chairman’s Statement | x |
| 6. Report of the Managing Director | xi |
| 7. Statement of Performance Against Predetermined Objectives for FY 2022/2023..... | xiii |
| 8. Corporate Governance Statement | xiv |
| 9. Management Discussion and Analysis | xv |
| 10. Environmental and Sustainability Reporting | xix |
| 11. Report Of The Directors | xxi |
| 12. Statement of Directors’ Responsibilities | xxii |
| 13. Report of The Independent Auditors on Nyayo Tea Zones Development Corporation | xxiii |
| 14. Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 th June 2023..... | 1 |
| 15. Consolidated Statement of Financial Position as at 30 June 2023..... | 2 |
| 16. Statement of Changes in Equity for The Year Ended 30 June 2023 | 9 |
| 17. Statement of Cash Flows for The Year Ended 30 June 2023 | 10 |
| 18. Statement of Comparison of Budget and Actual Amounts for the period ended 30 June 2023 | 11 |
| 19. Notes to The Financial Statements | 12 |
| 20. APPENDIX I Schedule of Investments | 22 |
| 21. Implementation Status of Auditor-General Prior Year Recommendations | 23 |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

1. ACRONYMS AND GLOSSARY OF TERMS

LN – Legal Notice

NEMA – National Environment Management Authority

NTZDC – Nyayo Tea Zones Development Corporation

KTDA – Kenya Tea Development Agency

ICT – Information and Communications Technology

CSR – Corporate Social Responsibility

GOK – Government of Kenya

KTF – Kipchabo Tea Factory (a wholly owned subsidiary)

GTF – Gatitu Tea Factory (a wholly owned subsidiary)

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

2. KEY ENTITY INFORMATION

a) Background information

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

b) Principal Activities

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

c) Directors

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

| | | |
|--------------------------|---------------------|--|
| Ms. Hellen Nangithia | – Chairperson | -Appointed in Jul 2022, Left in Apr 2023 |
| Mr. Joseph G. M'Limbiine | – Chairperson | -Appointed in Apr 2023 |
| Mr. Peter K. Korir | – Managing Director | - Appointed to the board in 2012 |
| Mr. Raymond Kemei | – Director | - Appointed in Oct 2015, Reappointed May 2022 |
| Mr. Andrew Nyanchoga | – Director | - Appointed in Dec 2018, Reappointed May 2022 |
| Mr. Julius Inyingi | – Director | - Appointed in Jan 2021 |
| Ms. Rukia Mohamed | – Director | - Appointed in Jan 2021 |
| Mr. Andrew N. Karumbo | – Director | - Appointed in May 2022 |
| Ms. Joyce Njogu | – Director | - Appointed in May 2022 |
| Mr. Peter Kiagu | – Director | (Alternate to Principal Secretary National Treasury) |
| Mr. David Kithale | - Director | (Alternate to Principal Secretary Ministry of Agriculture) appointed in Jan 2021 |

d) Legal Officer

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

e) Registered Office

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

f) Corporate Headquarters

Nyayo House – 11th Floor

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

Kenyatta Avenue
P.O. Box 48552 - 00100
NAIROBI

g) Corporate Contacts

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

h) Corporate Bankers:

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

i) Independent Auditors

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

j) Principal Legal Advisers

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


Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements for the year ended June 30, 2023





3. THE BOARD OF DIRECTORS

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




- Ms. Hellen Nangithia – Chairperson -Appointed in Jul 2022, Left in March 2023
- Mr. Joseph G. M’Limbiine – Chairperson -Appointed in Apr 2023
- Mr. Peter K. Korir – Managing Director - Appointed to the board in 2012
- Mr. Raymond Kemei – Director - Appointed in Oct 2015, Reappointed May 2022
- Mr. Andrew Nyanchoga – Director - Appointed in Dec 2018, Reappointed May 2022
- Mr. Julius Inyigi – Director - Appointed in Jan 2021
- Ms. Rukia Mohamed – Director - Appointed in Jan 2021
- Mr. Andrew N. Karumbo – Director - Appointed in May 2022
- Ms. Joyce Njogu – Director - Appointed in May 2022
- Mr. Peter Kiagu – Director (Alternate to Principal Secretary National Treasury)
- Mr. David Kithale - Director (Alternate to Principal Secretary Ministry of Agriculture) appointed in Jan 2021

| | | |
|---|--|--|
| 1 |  <p>Mr. Joseph Gitonga M’Limbiine – Chairperson</p> | <p>Mr. Joseph Gitonga M’Limbiine is 52 years old and was appointed as the Board Chair NTZDC in April 2023. He has previously served in various government Boards between 2013 and 2022 - notably Pwani University, Kisii University, NTSA and JKUAT. Mr. M’Limbiine is a lawyer by profession with over 25 years post-admission experience in the legal practice. He is currently a Senior Partner at the law firm of M’Limbiine and Mungai Advocates. Mr. M’Limbiine holds an MBA in Strategic Management and a Bachelor of Laws from the University of Nairobi and a post graduate Diploma from Kenya School of Law. He is an Advocate of the High Court of Kenya and a Certified Public Secretary. He has worked at EACC, Attorney General’s office, High Court Judges Tribunal and the Judges and Magistrates Vetting Board as the Assisting Counsel. He brings a lot of experience in corporate governance and law.</p> |
| 2 |  <p>Mr. Peter K. Korir – Managing Director</p> | <p>Mr Peter Korir is 54 years and joined the board in November 2012. He holds a Bachelor of Science degree in Mathematics from Egerton University and MBA (Strategic Management) from University of Nairobi. He is also a graduate of IESE Business school in Advanced Management. He has over 23 years’ experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p> |
| 3 |  <p>Mr. Raymond Kemei – Independent Member</p> | <p>Mr. Reymond Kemei is 51 years old was appointed to the board in Oct 2015, reappointed in Dec 2018. He holds a MBA degree in strategic management and BA degree in economics. He also has a diploma in project management. He is currently a production manager with KTDA and has over 15-year experience in tea industry. Mr Kemei Chairs the Finance, HR and ICT Committee</p> |

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023**




| | | |
|---|---|---|
| 4 |  <p>Mr Andrew Nyanchoga – Independent Member</p> | <p>Mr. Andrew Nyanchoga is 65 years old and joined the NTZDC Board in December 2018. He holds MSc degree in Human Resource Management from Manchester University (UK) and a BA from the University of Nairobi.</p> <p>He has more than more than 30 years experience in human resource development and practice gained while working in various government ministries where he rose to the position of Director of Human Resources and Development in the Ministry of Education, State Department of Basic Education. His interests and areas of expertise include human resources planning, recruitment and placement of staff, performance appraisal, pay and benefits, discipline, schemes of service and career progression and implementation. He is currently a consultant in the HR field.</p> |
| 5 |  <p>Mr. Paul Kiagu – Alternate Ps national Treasury & Planning</p> | <p>Mr. Paul Kiagu the Alternate to Principal Secretary National Treasury has been a member of the Board since 2017 and is an economist by profession and holds BA and MA degrees in Economics from Kenyatta University. He has over 30 years experience.</p> |
| 6 |  <p>Mr. Julius Inyingi - Independent Member</p> | <p>Mr. Julius Inyingi is 63 years old and was appointed as an independent member of the NTZDC board in Jan 2021. He has served is various positions in the public service including District Public Health Officer and Chairman of Meru Friends Sacco.</p> |
| 7 |  <p>Mr. David Kithale - Alternate PS Agriculture</p> | <p>Mr. David Kithale is 51 years old and is Alternate to Principal Secretary Ministry of Agriculture and was appointed in Jan 2021. He holds a Masters Degree in Agricultural Economics from UoN. He previous served in the Board of Sisal Board of Kenya He also serves as Head Parliamentary Business Unit at Ministry of Agriculture.</p> |

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023**

| | | |
|----|--|--|
| 8 |  <p>Ms Joyce Wambui Njogu - Independent Member</p> | <p>Ms. Joyce Njogu is 54 years old and is an independent member and was appointed in May 2022. She holds a Bachelor of Education Degree from Kenyatta University and Diploma in Business Management from Kenya institute of Management. She has over 25 years' experience in Sales and Marketing and in Customer Care. She has worked at PaperHouse of Kenya, Skanem Interlabels and TNT Express Worldwide.</p> |
| 9 |  <p>Ms Rukia A. Mohamed - Independent Member</p> | <p>Ms. Rukia Mohamed is 46 years old and is an independent member and was appointed in January 2021. She holds MBA (Project Management) degree from Kenyatta University and BSc degree in Information Systems and Technology from USIU. She has over 15 years' experience in ICT. She has worked at Kenya Revenue Authority and Teachers Service Commission.</p> |
| 10 |  <p>Mr Andrew Njenga Karumbo - Independent Member</p> | <p>Mr. Andrew Karumbo is 45 years old and was appointed as an independent member in May 2022. He holds a Bachelor of Arts Degree in Economics from University of Nairobi. He is also a Certified Public Accountant – CPA(K) and a Certified Public Secretary – CPS(K). He has over 20 years' experience in accounting, banking and management. He has previously worked at Genghis Capital, Chase Bank and Ecological Safaris.</p> |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

4. KEY MANAGEMENT TEAM

| | | |
|---|---|---|
| 1 |  Peter K. Korir – Managing Director | <p>Mr. Peter Korir is 54 years and joined the board in November 2012. He holds a Bachelor of Science degree in Mathematics from Egerton University and MBA (Strategic Management) from University of Nairobi. He is also a graduate of IESE Business school in Advanced Management. He has over 24 years’ experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p> |
| 2 |  Samuel Njire – Head of Finance | <p>Mr. Samuel Njire joined the corporation in 2009 and is the Head of Finance. He holds a Bachelor of Commerce (Accounting) and MBA (Finance) degrees both from University of Nairobi. He is also a certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) – Membership No. 6527. He is responsible for overall financial stewardship of the corporation. He has over 31 years’ experience in finance in both public and private institutions</p> |
| 3 |  Charles Mucheke – Head of Operations | <p>Mr. Charles Mucheke joined the Corporation in 2005 and is the Head of Operations. He holds a Bachelor of Science (Agriculture) and MBA (Operations Management) degrees both from University of Nairobi. He is responsible for all agronomy operations in the Corporation. Prior to joining the Corporation, he worked with KTDA and has over 30 years’ experience in the tea industry.</p> |
| 4 |  William Togom – Head of Human Resource and Administration | <p>Mr. Togom joined the corporation in 2003 and is the head of human resources and administration. He holds a Bachelor of Arts degree in Anthropology. He also hold a Diploma in Human Resource Management from Kenya Institute of management (KIM). He is a member of Human Resource Management Institute of Kenya – Membership No. 03386. He has over 25 years’ experience in human resource and administration.</p> |
| 5 |  David Chepkwony – Head of Commercial | <p>Mr. Chepkwony is 49 years old and joined the corporation in 2014 as head of commercial unit. He holds a Bachelor of Commerce degree in Marketing. Prior to joining the Corporation, he worked with Ketepa, Del Monte Kenya Ltd, Reckitt Benckiser EA Ltd & Unilever Kenya Ltd and has over 21 years’ experience in sales and marketing.</p> |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

5. CHAIRMAN'S STATEMENT

I am pleased to present to you the Annual Report and financial statements of Nyayo Tea Zones Development Corporation for the year ended 30 June 2023.

The operating environment in the financial year 2022/23 faced challenges that have persisted for the last three years. The high costs of inputs and rising inflation have continued to shrink our margins and pose a challenge to our conservation mandate. The geopolitical events globally caused by War in Ukraine, pushed inflation to record highs thereby increasing the costs of all our inputs. It is not possible to predict the immediate future and the Corporation has aligned its strategies to operate optimally in the current challenging environment.

We achieved a significant jump in the volume of green leaf produced (35.54 million Kgs) compared to the previous 3 years. This production was achieved due to adequate rains in the last quarter of the financial year and would indeed have been higher had we not experienced prolonged drought in the first half of the year. Other challenges include hail damage to our tea fields, delayed fertilizer delivery and increased competition for labour.

During the year the Corporation continued to discharge its mandate of environmental conservation by expanding its buffer using tea, fuelwood and restoring the ecologically sensitive areas in the gazetted forests. We embarked on an ambitious plan to establish large nurseries for tea, fuelwood and trees in line with the Government of Kenya goal to plant 15 billion trees in the next ten years. Our goal is to establish nurseries with the capacity to avail seedlings that will boost the annual tree planting target set by the Government. The Corporation is still implementing the Mau Fforest Complex rehabilitation Project. Routine operational and rehabilitation works continued in 23.5km long buffer established in Kuresoi.

Our newly commissioned Gatitu Tea processing factory commenced the sale of tea at the Mombasa Auction managed by EATTA in July 2022. This is a significant milestone since the Gatitu Factory was a value addition project. During the year the factory applied for and was audited for Rain Forest Alliance certification which will enable its teas fetch higher prices at the Auction.

In conclusion, I extend my appreciation to all our staff for their dedication and commitment as well as invaluable support from the Board of Directors and the Government for being committed to the Corporation's affairs. I also take this opportunity to appreciate our esteemed customers without whom we could not have gone this far.



Joseph G. M'Limbiine
CHAIRMAN

Date 29/09/2023

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

6. REPORT OF THE MANAGING DIRECTOR

General

I am pleased to present to you the Annual Report and financial statements of Nyayo Tea Zones Development Corporation for the year ended June 30, 2023.

Financial Results

During the year, tea prices at the Mombasa Tea Auction improved compared to the previous year. The revenue per kilogram received from green leaf declined marginally by 3% to an average of Ksh. 44 compared to Ksh. 45.4 in the previous year. Consolidated revenues increased by 18% to Ksh. 2,486 million compared to Ksh. 2,098 million realised in the previous year, while revenues from sale of green leaf increased by 16% to Ksh. 1,565 million compared to Ksh. 1,355 million in the previous year. On the other hand, direct costs increased by 38% to Ksh. 1,502 million while indirect costs increased by 13% to Ksh. 858 million compared to the previous year. Overall, the Corporation recorded a consolidated pre-tax profit of Ksh. 192.8 million compared to a profit of Ksh. 272.5 million in the previous year.

Operations

Green leaf production increased by 19% to 35.5 million kilograms compared to the previous year which was favorable weather especially in the last quarter of the year in our tea growing areas.

Kipchabo Tea Factory received 21.95 million Kgs of green leaf which is a decrease of 3% compared 22.74 million Kgs in the previous year. Out of the total green leaf received by the factory, out growers contribution was 11.3 million Kgs which is 51.4% while the rest was collected from Nyayo Tea Zones in the factory catchment namely Nandi, Kakamega and Kaptarakwa Zones.

Processed tea volumes declined by 2% to 4.9 million Kgs compared to 5.0 million Kgs in the previous year giving out-turn of 22% (2021/2022 - 22%).

Future Outlook

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

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

Appreciation

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



Peter Korir
MANAGING DIRECTOR

Date.....29/09/2023

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

In the FY 2022/2023, Corporations projections and actuals are as stated here below.

| | Projections | Actual | Variance |
|-----------------------------|--------------------------|------------------------|-------------|
| Green Leaf Production (Kgs) | 36,891,595 | 35,542,341 | (1,349,254) |
| | Current Year (2022/2023) | Prior year (2021/2022) | Variance |
| Green Leaf Production (Kgs) | 36,891,595 | 29,850,469 | 7,041,126 |
| Revenue (Ksh.) | 1,560,572,559 | 1,354,578,360 | 205,994,198 |

For the Corporation's wholly owned subsidiaries, Kipchabo Tea Factory Ltd projections and actuals in FY 2022/2023 are as stated here below.

Kipchabo Tea Factory

| | Projections | Actual | Variance |
|------------|---------------|---------------|---------------|
| Green Leaf | 26,108,000 | 21,954,087 | (4,656,914) |
| Made Tea | 6,004,978 | 4,958,210 | (1,046,769) |
| Out turn | 23% | 22.58% | -0.42% |
| Revenue | 1,631,608,967 | 1,162,660,938 | (468,948,029) |

Gatitu Tea Factory

| | Projections | Actual | Variance |
|------------|-------------|-------------|--------------|
| Green Leaf | 7,058,000 | 7,234,532 | (175,602) |
| Made Tea | 1,623,553 | 1,618,079 | (5,474) |
| Out turn | 23% | 22.35% | -0.65% |
| Revenue | 517,913,693 | 428,788,498 | (89,125,194) |

The Corporation has two Strategic Pillars within the current Strategic plan for 2020-2025 which are as follows;

Strategic Pillar 1 - Build a sustainable Organisation

Strategic Pillar 2 - Improve and leverage our Stakeholder engagement

The achievements are summarized in the table below.

| STRATEGIC PILLARS | OBJECTIVE | KEY PERFORMANCE INDICATORS | ACTIVITIES | ACHIEVEMENTS |
|---|--|--|---|---------------------------|
| Build a sustainable Organisation | Generate earnings from GL Tea of Kes. 2.0Bn and Kes. 0.83Bn from the Commercial Unit | -New Organisation Design | -Implement a fit-for-purpose Organisation structure to drive delivery of CSP2025 | -ongoing |
| | | -Annual Performance Target - 100% of Staff | -Cascade the New CSP to all Staff at onset of the CSP period, conduct arefresher at the mid-term | -Continuous |
| | | -Cascade & Refresher | -Develop and sign-off annual staff performance scorecard by end July Annually | -Continuous |
| Improve and leverage our Stakeholder engagement | Great Stakeholder relationships that support delivery of organisation goals | Signed-off Strategy and Responsibility assigned Strategy Customer Satisfaction score of >85 | - Develop and sustain a Digital Engagement Strategy built around the Corporation's Website and other digital assets such as Social Media platforms Develop a Corporate Stakeholder Engagement strategy with focus on key / critical stakeholders | -Achieved -Ongoing |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

8. CORPORATE GOVERNANCE STATEMENT

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

The Corporation conducts its operations in accordance with recommended principles of good corporate governance as provided in Public officers and ethics Act as well as Public Financial Management Act 2015.

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

The board has established 3 committees, namely (i) Production, Business Development & Strategy Committee (ii) Audit & Risk Management Committee and (iii) Finance, Human Resources & ICT Committee. Each committee meets at least once every quarter before tabling their reports to the full board.

Below is the composition of Board Committees.

| | | AUDIT & RISK MANAGEMENT | PRODUCTION, BUSINESS DEVELOPMENT & STRATEGY | FINANCE, HUMAN RESOURCE & ICT |
|---|--------------------|--|--|--|
| 1 | Chairperson | Ms. Rukia Mohamed | Mr. Julius Inyingi | Mr. Andrew Nyanhoga |
| 2 | Member | Mr. Raymond Kemei | Mr. Andrew Nyanhoga | Mr. Paul Kiagu |
| 3 | Member | Mr. Paul Kiagu | Mr. Raymond Kemei | Mr. Andrew Karumbo |
| 4 | Member | Mr. Julius Inyingi | Ms. Rukia Mohamed | Mr. David Kithale |
| 5 | Member | Mr. David Kithale | Mr. Andrew Karumbo | Ms. Joyce Njogu |
| 6 | Member | | Ms. Joyce Njogu | |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

9. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

At the end of the FY 2022/2023, the Corporation was managing buffer belts with a total length of 925km broken down as follows:

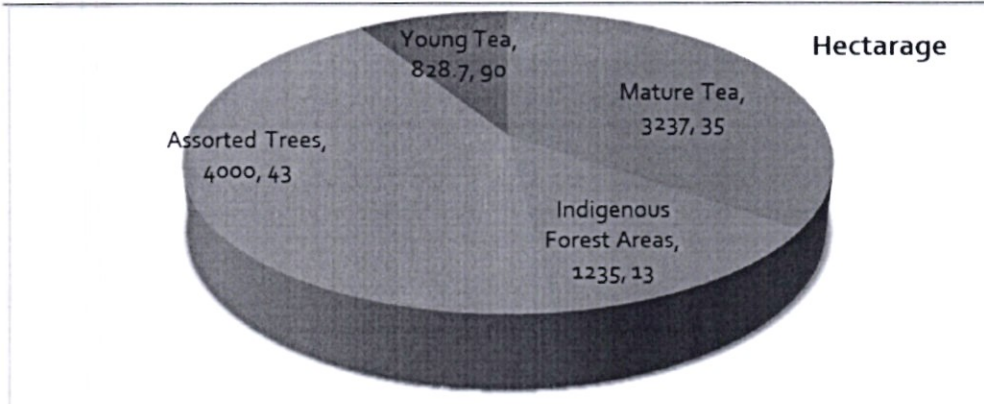
| FOREST RESERVE | AREA (HA) | BUFFER AREA (HA) | % OF PROTECTED FOREST AREA | LENGTH (KM) |
|---------------------------------------|------------------|------------------|----------------------------|---------------|
| ABERDARE | 149,822 | 1,093 | 0.73% | 109.3 |
| MT. KENYA | 213,082 | 1,302 | 0.61% | 130.2 |
| NYAMBENE | 5,391 | 113 | 2.09% | 11.25 |
| MAU COMPLEX | 400,000 | 1,293 | 0.32% | 129.3 |
| MT. ELGON | 127,000 | 1,021 | 0.80% | 102.1 |
| CHERANGANYI | 947,291 | 495 | 0.05% | 49.5 |
| KAKAMEGA | 19,792 | 846 | 4.27% | 84.6 |
| NANDI NORTH | 5,391 | 1,191 | 22.09% | 119.1 |
| NANDI SOUTH | 17,960 | 1,200 | 6.68% | 120 |
| KAPTAGAT | 12,801 | 735 | 5.74% | 73.5 |
| TOTAL | 1,898,530 | 9,289 | 0.49% | 928.85 |
| TOTAL FOREST COVER KENYA- 2021 | 4,294,700 | 9,289 | 0.22% | |

The Corporation's Estates

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

This is illustrated in Figure I below.

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023



Distribution of Corporations Estate

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

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

**TABLE I: DISTRIBUTION OF TEA AND FOREST AREAS AS AT END
 JUNE 2023 & VALUATION**

| Forest Blocks | Zone | Area Under Tea (ha) | Area planted with Assorted Trees (ha) | Total (ha) Area planted under tea and forest | % Consolidated |
|---------------------------------|-----------------------|---------------------|---------------------------------------|--|----------------|
| ABERDARES | Kiambu | 182.8 | 436 | 618.8 | 11.8 |
| | Murang'a | 133 | 82 | 215 | |
| | Nyeri | 187 | 80 | 267 | |
| MT. KENYA & NYAMBENE | Mathira | 121 | 140 | 261 | 14.6 |
| | Kirinyaga | 242.7 | 42 | 284.7 | |
| | Embu | 180 | 62 | 242 | |
| | Meru South | 127 | 34 | 161 | |
| | Meru Central | 295 | 118 | 413 | |
| MAU COMPLEX | Olenguruone | 222 | 178 | 400 | 13.6 |
| | Nyangores | 176 | 97 | 273 | |
| | Kericho | 216 | 142 | 358 | |
| | Kuresoi | 235 | 0 | 235 | |
| KAKAMEGA | Kakamega | 262 | 584 | 846 | 9.1 |
| MT. ELGON | Kapsokwony/ Saboti | 242.8 | 800 | 1042.8 | 11.2 |
| CHERANGANI | Kapcherop | 143 | 370 | 513 | 5.5 |
| KAPTAGAT | Kaptarakwa | 190 | 612 | 802 | 8.6 |
| NANDI | Nandi North | 463 | 710 | 1173 | 25.5 |
| | Nandi South | 447.6 | 748 | 1195.6 | |
| TOTAL | | 4,065.9 | 5,235.0 | 9,300.9 | |
| PERCENTAGE | | 43.7 | 56.3 | 100.0 | 100.0 |

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

Agronomic Practices and Production

In the financial year 2022/2023, only Kaptarakwa zone achieved her target at 108.6% while the rest of the zones performed below their targets. The production was mostly affected by prolonged dry weather conditions, mites infestation, hail and frost damage particularly in the 1st and 3rd quarters of the year.

The following main agronomic activities were undertaken:

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

Weed Control

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

Fertilizer Application

Second Split fertilizer application was done in the month of April and a total of 22,740 bags of NPK 25:5:5 fertilizer (50% of annual allocation) was applied in the mature and young tea fields. Due to the conducive weather conditions experienced during the quarter, the fertilizer had a very positive impact on production and the production target for the quarter was achieved.

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

1. BACKGROUND INFORMATION

Nyayo Tea Zones Development Corporation (NTZDC) is a state corporation established under State Corporations Act (Cap 466, Revised in 2012). It was first conceived and created in 1986 through Legal Notice (L.N. No.265/1986), which was repealed through another Legal Notice (L.N. 30/2002) of 2002. The corporation’s phenomenal growth in revenues generated (sustainability) and expansion of the buffer belt (conservation) over the past 10 years are a clear testimony of its adaptability and agility in a changing internal and external environment. The last 35 years have seen an aggregate length of 824Km NTZDC buffer belt was established, covering a total area of 8240ha, representing about 0.05% of total area under gazetted forests; two tea processing factories established, one is operational and the other expected to become operational by end 2021; one value addition plant for blending & packing of tea for local market established; and over 10,000 livelihoods supported annually through these activities.

Its mandate is stated as establishment of forest buffer zones using tea and fuelwood plantations to protect and conserve gazetted forests and trust lands, as well as, support livelihoods.

i) Sustainability strategy

Nyayo Tea Zones Development Corporation as an institution is committed to act sustainably and responsibly on order promote the well-being of employees and give back to the society. The Corporation’s operates a sustainable Forest buffer model that integrates livelihood support with Conservation.

ii) Environmental performance

The Corporation is committed to reduce our impact on the environment through our mandate of establishment of forest buffer zones using tea and fuelwood plantations to protect and conserve gazetted forests and trust lands.

iii) Employee welfare

The Corporation is also committed to employee welfare by promoting mutually beneficial relationships as the guiding framework for work. The core values that guide operations at our corporation are integrity, professionalism, teamwork, commitment and respect for others.

iv) Market place practices

The Corporation aims at creating sustainability by promoting a commercial enterprise approach, which underscored value addition of the corporation’s tea products via processing, packaging, branding and diversified sales in both the local and external markets. This promotes creation of jobs and enhancing contribution to national economy through increased foreign exchange earnings.

v) Corporate Social Responsibility / Community Engagements

Below is a summary of Corporate Social Responsibility activities during the financial year.

| ZONE/County | CSR Activity/Location | Amount (Kshs) & Date | Impact to community |
|---|---|---|--|
| Nandi County - Kipchabo Tea Factory catchment | NTZDC/Kipchabo Tea factory Bursary Scheme | Ksh. 1,000 July 2021 (continuous) | School fees support to 12 bright students – Access to secondary school education |
| Nandi County | Construction of Modern Toilet at Chesumei AP Line | Ksh. 28,800 Sept. 2022 | Improved sanitation for security officers in factory catchment |
| Gatitu Tea factory – Kirinyaga County | Support to Nyaru Water Project – Corporation financed, wayleave and piping from extraction to the storage tanks | Ksh. 8,000,000 June 2023 | Community access to clean water (project ongoing) |

Nyayo Tea Zones Development Corporation**Annual Report and Financial Statements for the year ended June 30, 2023**

| | | | |
|---|--|------------------------------|---|
| NTZDC Zones & Factories | Road repairs within the zones and out-growers catchment routes | Assorted budgets | Improved access for collection and delivery of green leaf to factories. |
| Kipchabo Factory catchment | Propagation of 18,000 seedlings for planting in partnership with communities in the factory catchment | November 2022 (Continuous) | Reafforestation and climate change mitigation |
| Kwale County | Cash donation towards the construction of classrooms in Mande Primary school, Mariakani. | Ksh. 100,000 October 2021 | Conducive learning environment for pupils |
| Nandi County – Kipchabo Factory catchment | Secured NEMA license for construction of the Kombe water intake and developed bill of materials the project. | Assorted budgets | Access to clean water and improved health for rural communities |
| Chesumei, Nandi County | Support to chesumei mashujaa day celebrations by providing refreshments worth | Ksh. 7500 | Support for national values (Patriotism) |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

11. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended June 30, June 2023, which show the state of the Corporation's affairs.

i) Principal Activities

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

ii) Results

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

| | 2022/2023 (Ksh) | 2021/2022 (Ksh) |
|---------------------------------|------------------------|------------------------|
| Profit / (Loss) before tax | 192,811,698 | 272,462,813 |
| Net Profit/ (Loss) for the year | <u>192,811,698</u> | <u>272,462,813</u> |

iii) Dividends

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

iv) Directors

The members of the Board of Directors who served during the year are shown on page vi. In accordance with The State Corporations Act, the directors are appointed by the Cabinet secretary and serve for a renewable term of three (3) years.

v) Auditors

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

By Order of the Board



Peter Korir
Managing Director

Date.....29/09/2023.....

Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements for the year ended June 30, 2023

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Corporation, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.


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

The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2023, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Nyayo Tea Zones Development Corporation's financial statements were approved by the Board on 29/09/2023 and signed on its behalf by:


Joseph G. M'Limbiine
Chairman


Peter Korir
Managing Director

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nyayo Tea Zones Development Corporation set out on pages 1 to 24, which comprise of the consolidated statement of financial position as at 30 June, 2023, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nyayo Tea Zones Development Corporation as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Nyayo Tea Zones Development Corporation Order of 2002 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Long Outstanding Cash and Cash Equivalents Reconciling Items

The Nyayo Tea Zones statement of financial position reflects cash and cash equivalents amount of Kshs.213,770,841 as disclosed in Note 12 to the financial statements. Included in the balance is an amount for a savings account whose reconciliation includes Kshs.2,250,751 paid by Kenya Tea Development Authority (KTDA) and credited to the bank account. The amount has been outstanding since 30 July, 2022. However, Management has not demonstrated efforts in following up with the bank and KTDA to clear the outstanding item.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.213,770,841 could not be confirmed.

2.0 Variance in Loan Balance

The Nyayo Tea Zones statement of financial position reflects commercial bank loans balance of Kshs.161,063,061 and long-term loans due within the year of Kshs.155,487,134 as disclosed in Note 14 to the financial statements. Included in the balance are two (2) bank loans of Kshs.256,851,142 and Kshs.56,541,889 respectively. Analysis of certificate of bank balances revealed that the Corporation held various loans whose cumulative balances as at 30 June, 2023 was USD 2,301,420 and USD 506,808 respectively, whose conversion using the Central bank rate of Kshs.140.52 per USD as at the reporting date translated the loan balances to Kshs.323,395,517.32 and Kshs.71,216,710.75, resulting to an unreconciled variance of Kshs.66,544,375 and Kshs.14,674,822 respectively.

In the circumstances, the accuracy and completeness of the two (2) bank loans of Kshs.256,851,142 and Kshs.56,541,889 could not be confirmed.

3.0 Property, Plant and Equipment

The consolidated statement of financial position reflects property, plant and equipment balance of Kshs.2,204,282,157 as disclosed in Note 8 to the financial statements. However, the following unsatisfactory matters were observed:

3.1 Land Without Title Deeds

As previously reported, included in the property, plant and equipment balance is Kshs.310,014,566 in respect of net book value of land and buildings which excludes undetermined value of land under tea and fuel wood growing zones that lack ownership documents. This is contrary to Paragraph 3(1)(b) and (c) of the Nyayo Tea Zones Development Corporation Order of 2002 which provides that after the creation of the tea and fuel wood growing zones, the land shall be vested and become the property of the Corporation for the purposes of the Order.

In the circumstances, the ownership and valuation of the property, plant and equipment balance of Kshs.2,204,282,157 could not be confirmed.

3.2 Encroached Land

As reported in the previous year, the land and buildings net book value of Kshs.310,014,566 further excludes the value of one parcel of land located in Elgeyo/ Marakwet County measuring 66 hectares which is fully developed with tea bushes that had been illegally excised by an individual. Management did not provide evidence of the action taken to recover the land.

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

In the circumstances, the ownership, accuracy, completeness and valuation of the property, plant and equipment balance of Kshs.2,204,282,157 could not be confirmed.

4.0 Ownership of Biological Assets

The consolidated statement of financial position reflects biological assets balance of Kshs.851,107,626 as disclosed in Note 6 to the financial statements. Field verification carried out in the month of January, 2024 to various Nyayo Tea Zone buffer areas revealed that the land on which the biological assets are, is gazetted under Kenya Forest Service and as such, it was not possible to confirm if the biological assets reflected in the financial statements actually belonged to the Corporation as the custodian, when the land still remained under Kenya Forest Service.

In the circumstances, the ownership of the biological assets balance of Kshs.851,107,626 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Nyayo Tea Zones Development Corporation Management in accordance with ISSAI 130 on the Code of Ethics. I have

fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.3,690,721,506 and Kshs.3,213,520,035 respectively, resulting to an under-performance of Kshs.477,201,471 or 13% of the budget. Similarly, the Corporation spent Kshs.2,652,241,634 against an approved budget of Kshs.3,247,869,244 resulting to an under-absorption of Kshs.595,627,610 or 18% of the budget.

The under-performance and under-absorption could have affected the planned activities and may have impacted negatively on goods and service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for the failure to resolve them.

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. Long Outstanding Receivables

The consolidated statement of financial position reflects trade and other receivables balance of Kshs.710,535,283 as disclosed in Note 11 to the financial statements. This

balance includes Kshs.1,385,500 owing from another tea factory which has been outstanding for more than one year and Management has not demonstrated efforts to recover these amounts.

Further, and as previously reported, the balance includes Kipchabo Tea Factory debtors of Kshs.41,369,492 and Nyayo Tea Zones Development Corporation (NTZDC) temporary imprest, advances and loans balance of Kshs.9,749,305. However, these balances in turn includes Kipchabo Tea Factory temporary and NTZDC (temporary and standing) imprests amounting to Kshs.3,599,661 and Kshs.5,871,306 respectively, paid in the year 2021 and prior years which had not been surrendered nor recovered from the employees. This is contrary to Paragraph 4.3.3 of the Corporations Finance Manual of June, 2018.

In the circumstances, Management was in breach of the law and the recoverability of the trade and other receivables balance of Kshs.628,426,855 was doubtful.

2. Non-Compliance with One Third Basic Rule

Analysis of monthly payrolls revealed that members of staff earned less than 1/3 of their basic salary in the months of July, 2022 to June, 2023 as analyzed in table below; -

| Month | Number of Staff |
|-----------------|------------------------|
| July, 2022 | 71 |
| August, 2022 | 71 |
| September, 2022 | 54 |
| October, 2022 | 66 |
| November, 2022 | 59 |
| December, 2022 | 44 |
| January, 2023 | 54 |
| February, 2023 | 2 |
| March, 2023 | 86 |
| April, 2023 | 101 |
| May, 2023 | 90 |
| June, 2023 | 90 |

This is contrary to Section 19(3) of the Employment Act, 2007.

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

3. Non-Compliance with Rights and Privileges of Persons With Disabilities (PWD)

Review of Bio data and other staff records provided for audit, revealed that only three (3) staff members were in the list of Persons with Disabilities (PWD), this was giving a percentage of 0.49% of the total staff members.

In the circumstances, the Management was in breach of the law, the Corporation was in breach of the Public Service Commission Human Resource Policies, May, 2016.

4. Board Expenses

4.1 Lack of Gender Diversity in the Board of Directors

During the year under review, it was noted that the Corporation Board consisted of ten (10) Board Members. Out of the ten (10) members, only two (2) were female which is less than a third.

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

4.2 Qualification of Audit Committee Board Members

Review of records revealed that members serving in audit and risk management committee during the year did not have relevant qualifications and expertise in audit, financial management or accounting as required. Further, there was no information provided to show that they are members of a professional body.

In the circumstances, the Corporation breached the Mwongozo Code of Governance for State Corporations and Circular No. OP/CAB.9/IA March, 2020 from Head of Public Service.

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

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

Conclusion

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

Basis for Conclusion

1. Staff Under-Establishment

Review of human resource records revealed that the Corporation has an approved staff establishment of one thousand and thirty-two (1,032) against six hundred and ten (610) in post, resulting to an overall under establishment of four hundred and twenty-two (422) personnel. The under-staffing therefore hinders effective functioning of the Corporation.

In the circumstances, the Corporation lacked the requisite staffing levels to enable smooth running of the day-to-day activities thereby adversely affecting delivery of its mandate.

2. Management of Assets

2.1 Failure to Transfer Assets to Gatitu Tea Factory Limited

The Nyayo Tea Zones statement of financial position reflects property, plant and equipment balance of Kshs.2,263,537,352. Verification at Gatitu Tea Factory carried out in the month of January, 2024 revealed that the Factory has six (6) motor vehicles; used for their operations that have not been transferred to the Factory.

2.2 Motor Cycle without Ownership Documents

The Nyayo Tea Zones statement of financial position reflects property, plant and equipment balance of Kshs.2,263,537,352. Included in the balance are motor cycles owned by the Corporation. However, one motor cycle KCK 256U Yamaha model in Kericho, did not have a logbook.

2.3 Un-Updated Asset Register

The asset register provided for audit revealed a book value of Kshs.2,263,537,352 on all the assets of the Corporation. However, the Corporation does not have a comprehensive list of all assets it owns. Further, the asset register lacks the following information:

- i. Date of Acquisition of the Asset
- ii. Location of the Asset
- iii. Custodian of the Asset especially, Laptops, Tablets and iPads
- iv. ICT Equipment have no Serial Numbers
- v. The Buildings lacked the Building Description or Title Number of the buildings.
- vi. Vehicle Registration Numbers

In the circumstances, Management and controls of assets were ineffective.

3. Inventory Management

3.1 During a visit to Industrial Area Commercial Store in the month of January, 2024, the following anomalies were observed;

- i. The bin cards were not updated immediately after receiving and issuing items.
- ii. The following items were in the store but could not be traced in the bin cards;

| Item Details | Quantity |
|-----------------------|----------|
| FDS 500 Grams | 3,000 |
| Chabo 50 Grams | 24,200 |
| Chabo 100 Grams | 6,000 |
| FDS 250 Grams | 4,400 |
| Eco Premium 250 Grams | 620 |
| Eco Premium 100 Grams | 1,900 |

3.2 During field visit to Kirinyaga Zone store the following were observed:

- i. No electricity in the store.
- ii. Bin cards were not updated immediately after receiving and issuing items.

- iii. Some items were stored outside the store; Plucking aprons and caps, Plucking baskets and Mobilets.
- iv. There were eight (8) tires which belonged to the Meru South Zone. There was no written agreement on the storage.
- v. Stock levels were not at optimum and economical level.
- vi. There were variances between physical items and stock ledgers as per the table below:

| Item | Stock Ledger | Physical | Variance |
|-------------------|--------------|------------|-----------|
| Slashers | 2 | 1 | 1 |
| Green Caps | 19 | 21 | -2 |
| Knapsack Sprayers | 7 | 6 | 1 |
| Jembe | 6 | 8 | -2 |
| Force up Chemical | 763 litres | 735 litres | 28 litres |

In the circumstances, the effectiveness of the controls on inventory management could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements

comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Corporation'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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gatundu, CBS
AUDITOR-GENERAL

Nairobi

25 March, 2024

Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements for the year ended June 30, 2023

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

| | Notes | 2022/2023 Kshs | 2021/2022 Kshs |
|--|-------|--------------------|----------------------|
| Revenue | 2 (a) | 2,485,763,307 | 2,098,056,241 |
| Cost of Sales | 2 (b) | (1,501,976,184) | (1,089,616,582) |
| Gross Profit | | 983,787,123 | 1,008,439,659 |
| Employment Expenses | 3 (a) | (446,837,618) | (462,624,046) |
| Other Administration Expenses | 3 (b) | (105,122,098) | (75,008,840) |
| Board Expenses | 3 (c) | (15,699,513) | (9,723,883) |
| Other Operating Expenses | 4 | (251,545,868) | (195,982,235) |
| | | (819,205,097) | (743,339,004) |
| Operating Profit Before finance Costs | | 164,582,026 | 265,100,655 |
| Finance Costs | 5 | (38,985,441) | (16,556,556) |
| Profit before Exceptional Item | | 125,596,586 | 248,544,098 |
| Other income | 2(c) | 67,215,112 | 23,918,715 |
| Net profit/(loss) for theyear | | 192,811,698 | 272,462,813 |
| Proposed Dividends | | 9,640,585 | 13,623,141 |

Nyayo Tea Zones Development Corporation


Annual Report and Financial Statements for the year ended June 30, 2023


15. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

| | Notes | 2022/2023 Kshs | 2021/2022 Kshs |
|-------------------------------------|-------|----------------------|----------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Biological Assets | 6 | 851,107,626 | 838,230,042 |
| Bearer Plants | 7 | 2,263,537,352 | 2,139,949,653 |
| Property, Plant & Equipments | 8 | 2,204,282,157 | 2,112,522,244 |
| Long Term Investments | 9 | 71,066,898 | 70,965,897 |
| Total Non-Current Assets | | 5,389,994,033 | 5,161,667,837 |
| Current Assets | | | |
| Inventories | 10 | 277,308,777 | 188,619,082 |
| Trade & Other Receivables | 11 | 710,535,283 | 657,956,469 |
| Cash & Cash Equivalents | 12 | 248,133,281 | 87,273,051 |
| Total Current Assets | | 1,235,977,341 | 933,848,602 |
| Total Assets | | 6,625,971,375 | 6,095,516,440 |
| EQUITY AND LIABILITIES | | | |
| General Fund | | | |
| Accumulated Fund/Shareholding | 13 | 1,679,068,970 | 1,619,068,970 |
| Donor Grants | 13 | 741,760,713 | 741,760,713 |
| Reserves | 13 | 3,404,776,373 | 3,221,605,260 |
| Proposed Dividend | | 9,640,585 | 13,623,141 |
| | | 5,835,246,640 | 5,596,058,084 |
| Long Term Loans | | | |
| Commercial Bank Loans | 14 | 161,063,061 | 79,035,203 |
| | | 161,063,061 | 79,035,203 |
| Current Liabilities | | | |
| Long Term Loan due within the year | 14 | 155,487,134 | 131,975,315 |
| Trade Creditors | 15 | 342,594,384 | 160,869,128 |
| Accruals | 16 | 131,580,155 | 127,578,711 |
| | | 629,661,673 | 420,423,153 |
| Total Equity and Liabilities | | 6,625,971,375 | 6,095,516,440 |

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


Peter Korir
Managing Director


CPA Samuel Njire
Head of Finance & ICT
ICPAK M/No. 6527


Joseph G. M'Limbiine
Chairman

Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements for the year ended June 30, 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023.

| | Notes | 2022/2023 Kshs | 2021/2022 Kshs |
|--|-------|----------------------|----------------------|
| Turnover | 2 (a) | 1,564,688,132 | 1,354,578,360 |
| Cost of Production | 2 (b) | <u>(797,973,288)</u> | <u>(525,436,467)</u> |
| Gross Profit | | 766,714,844 | 829,141,894 |
| Employment Expenses | 3 (a) | (356,157,668) | (377,001,647) |
| Other Administrative Expenses | 3 (b) | (27,825,162) | (48,432,826) |
| Board Expenses | 3 (c) | (15,699,513) | (9,723,883) |
| Other Operating Expenses | 4 | <u>(145,967,146)</u> | <u>(129,207,346)</u> |
| | | (545,649,489) | (564,365,702) |
| Operating Profit Before finance Costs | | 221,065,355 | 264,776,192 |
| Finance Costs | 5 | <u>(38,985,441)</u> | <u>(16,556,556)</u> |
| Profit before Exceptional Item | | 182,079,915 | 248,219,635 |
| Other income | 2(c) | <u>31,766,489</u> | <u>22,723,598</u> |
| Net profit/(loss) for theyear | | 213,846,404 | 270,943,234 |

Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements for the year ended June 30, 2023

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

| | Notes | 2022/2023 Kshs | 2021/2022 Kshs |
|---------------------------------------|-------|----------------------|----------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Biological Assets | 6 | 851,107,626 | 838,230,042 |
| Bearer Plants | 7 | 2,263,537,352 | 2,139,949,653 |
| Property, Plant & Equipment | 8 | 367,921,096 | 1,434,620,202 |
| Long Term Investments | 9 | 2,107,702,734 | 880,237,415 |
| | | 5,590,268,808 | 5,293,037,313 |
| Current Assets | | | |
| Stocks | 10 | 53,129,125 | 32,938,851 |
| Debtors & Prepayments | 11 | 648,658,739 | 616,586,978 |
| Cash & Cash Equivalents | 12 | 213,770,841 | 79,724,873 |
| | | 915,558,705 | 729,250,702 |
| Total Assets | | 6,505,827,513 | 6,022,288,014 |
| GENERAL FUND & LIABILITIES | | | |
| General Fund | | | |
| Accumulated Fund | 13 | 1,679,068,970 | 1,619,068,970 |
| Donor Grants | 13 | 741,760,713 | 741,760,713 |
| Reserves | 13 | 3,401,162,809 | 3,200,939,546 |
| | | 5,821,992,492 | 5,561,769,229 |
| Long Term Loans | | | |
| Commercial Bank Loans | 14 | 161,063,061 | 79,035,203 |
| | | 161,063,061 | 79,035,203 |
| Current Liabilities | | | |
| Long Term Loan due within the year | 14 | 155,487,134 | 131,975,315 |
| Trade Creditors | 15 | 238,759,798 | 129,210,638 |
| Accruals | 16 | 128,525,028 | 120,297,629 |
| | | 522,771,960 | 381,483,582 |
| General Fund and Liabilities | | 6,505,827,513 | 6,022,288,014 |

Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements for the year ended June 30, 2023

**KIPCHABO TEA FACTORY LIMITED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023.**

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

Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements for the year ended June 30, 2023

**KIPCHABO TEA FACTORY LIMITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

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

Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements for the year ended June 30, 2023

**GATITU TEA FACTORY LIMITED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR 16 MONTHS PERIOD ENDED JUNE 30, 2023.**

| | 2022/2023 |
|--|---------------------|
| | Kshs |
| Revenue | 428,788,498 |
| Cost of Sales | (378,299,349) |
| Gross Profit | 50,489,149 |
| Administrative Expenses | (47,921,127) |
| Other Operating Expenses | (39,165,937) |
| Employment Expenses | (10,932,291) |
| | (98,019,356) |
| Operating Profit Before finance Costs | (47,530,207) |
| Finance Costs | - |
| Profit before Exceptional Item | (47,530,207) |
| Other income/(Exchange Loss) | 8,823,668 |
| Net profit/(loss) for the year | (38,706,539) |

Nyayo Tea Zones Development Corporation

**Annual Report and Financial Statements For the year
ended June 30, 2023**

**GTITU TEA FACTORY LIMITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

| | 2022/2023 |
|-------------------------------------|-----------------------------|
| ASSETS | Ksh. |
| Non-Current Assets | |
| Property, Plant & Equipment | 1,219,576,676 |
| Current Assets | |
| Inventories | 64,186,894 |
| Trade Receivables | 23,842,531 |
| Cash & Bank Balances | 20,969,647 |
| Total Current Assets | <u>108,999,072</u> |
| TOTAL ASSETS | <u><u>1,328,575,748</u></u> |
| EQUITY AND LIABILITIES | |
| Ordinary Shares | 100,000 |
| Share Premium | 1,227,264,318 |
| Accumulated Loss | (38,706,539) |
| | <u>1,188,657,780</u> |
| CURRENT LIABILITIES | <u>139,917,969</u> |
| Total Equity and Liabilities | <u><u>1,328,575,749</u></u> |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2023

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

2021/2022

| | Accumulated Fund Kshs | Donor Grants Kshs | Revenue Reserves Kshs | Total Kshs |
|-------------------------------|--------------------------------------|----------------------------------|--------------------------------------|-----------------------|
| As at 30 June 2020 | 1,427,068,970 | 741,760,713 | 2,888,254,268 | 5,057,083,951 |
| GOK Capital Contribution | 142,000,000 | | | 142,000,000 |
| Net Profit for the year | | | 78,432,968 | 78,432,968 |
| Proposed Dividend 2020/2021** | | | (3,921,648) | (3,921,648) |
| As at 30 June 2021 | 1,569,068,970 | 741,760,713 | 2,962,765,588 | 5,273,595,271 |
| GOK Capital Contribution | 50,000,000 | | | 50,000,000 |
| Net Profit for the year | | | 272,462,813 | 272,462,813 |
| Proposed Dividend 2021/2022** | | | (13,623,141) | (13,623,141) |
| As at 30th June 2022 | 1,619,068,970 | 741,760,713 | 3,221,605,260 | 5,582,434,943 |

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

2022/2023

| | Accumulated Fund Kshs | Donor Grants Kshs | Revenue Reserves Kshs | Total Kshs |
|-------------------------------|--------------------------------------|----------------------------------|--------------------------------------|-----------------------|
| As at 30 June 2021 | 1,569,068,970 | 741,760,713 | 2,962,765,588 | 5,273,595,271 |
| GOK Capital Contribution | 50,000,000 | | | 50,000,000 |
| Net Profit for the year | | | 272,462,813 | 272,462,813 |
| Proposed Dividend 2021/2022** | | | (13,623,141) | (13,623,141) |
| As at 30 June 2022 | 1,619,068,970 | 741,760,713 | 3,221,605,260 | 5,582,434,943 |
| GOK Capital Contribution | 60,000,000 | | | 60,000,000 |
| Net Profit for the year | | | 192,811,698 | 192,811,698 |
| Proposed Dividend 2022/2023** | | | (9,640,585) | (9,640,585) |
| As at 30th June 2023 | 1,679,068,970 | 741,760,713 | 3,404,776,373 | 5,825,606,056 |

Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements for the year ended June 30, 2023

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 2022/2023 Kshs | 2021/2022 Kshs |
|---|--------------|----------------------|----------------------|
| Cashflow from Operating Activities | | | |
| Operating Profit (Loss) | | 192,811,698 | 272,462,813 |
| Dividend income | 2 (c) | (9,007,913) | (10,405,514) |
| Exchange loss | 2 (c) | 15,743,110 | 484,859 |
| Depreciation of Fixed Assets | 8 | 128,094,670 | 91,696,030 |
| Amortization | 7 | 89,504,600 | 72,619,411 |
| Interest Income | 2 (c) | (18,708,236) | (8,610,593) |
| Interest paid | 5 | 23,242,330 | 16,071,697 |
| Gain on disposal of fixed assets | 2 (c) | (1,483,000) | (3,416,000) |
| Profit Before Working Capital Changes | | 420,197,260 | 434,318,704 |
| (Decrease) / Increase in Debtors & Prepayments | 11 | (52,578,814) | (53,319,677) |
| Increase / (Decrease) in Creditors & Accruals | 14 , 15 & 16 | 209,238,520 | (37,728,934) |
| Increase in Stock | 10 | (20,190,274) | (975,941) |
| Increase in Stock - KTF & GTF | 10 | (68,499,420) | (32,009,289) |
| Net Changes in working Capital | | 67,970,011 | (124,033,841) |
| Net Cash Generated from Operating Activities | | 488,167,271 | 310,284,863 |
| Cashflows used in Investing Activities | | | |
| Dividends received | 2 (c) | 9,007,913 | 10,405,514 |
| Long-Term Investment in K.T.D.A Factories | 9 | (101,001) | (1,121,418) |
| Bearer plants costs | 7 | (213,092,299) | (218,474,257) |
| Purchase of Fixed Assets | 8 | (218,506,142) | (171,166,735) |
| Direct acquisition of biological assets | 6 | (12,877,584) | (10,881,124) |
| Interest Income | 2 (c) | 18,708,236 | 8,610,593 |
| Proceeds from disposal of fixed assets | 2 (c) | 1,483,000 | 3,416,000 |
| Net Cash (Used) in Investing Activities | | (415,377,876) | (382,627,427) |
| Cashflows (Used) in Financing Activities | | | |
| GOK Contribution | | 60,000,000 | 142,000,000 |
| Commercial Bank Loans Disbursement | 14 | 292,397,524 | 113,993,982 |
| Commercial Bank Loans Loan Repayment | 14 | (227,908,588) | (192,130,160) |
| Interest Paid | 5 | (23,242,330) | (16,071,697) |
| Net Cash from/(Used) in Financing Activities | | 101,246,606 | 47,792,124 |
| Net Increase in Cash and Cash Equivalents | | 174,036,000 | (24,550,440) |
| Movement in Cash and Cash Equivalents | | | |
| At 1 July 2022 | 12 | 87,273,051 | 112,016,859 |
| Effect of exchange gain /(loss) on cash & cash equivalent | 2 (c) & 5 | (13,175,770) | (193,368) |
| Increase/(Decrease) in the year | | 174,036,000 | (24,550,440) |
| At 30 Jun 2023 | 12 | 248,133,281 | 87,273,051 |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

8. (a) PROPERTY, PLANT AND EQUIPMENT (Consolidated)

| 2022/2023 | Land & Buildings Kshs | Work in Progress* Kshs | Factory Buildings Kshs | Factory Machinery Kshs | Furniture & Fixtures Kshs | Office Equipment Kshs | Computers & Accessories Kshs | Tractors & Trailers Kshs | Motor Vehicles Kshs | Farm Tools & Implements Kshs | Total Kshs |
|--------------------------------------|--------------------------|---------------------------|---------------------------|---------------------------|------------------------------|--------------------------|---------------------------------|-----------------------------|------------------------|---------------------------------|----------------------|
| Cost | | | | | | | | | | | |
| 1 July 2022 | 376,785,551 | 1,086,141,530 | 487,862,599 | 659,527,110 | 50,856,932 | 11,596,234 | 91,253,712 | 32,098,525 | 455,066,721 | 14,283,989 | 3,265,472,902 |
| Adjustment for prior year correction | | (94,407) | | | | | | | 1,835,524 | (392,675) | 1,348,441 |
| Disposals | | | | | | | | | (6,753,020) | | (6,753,020) |
| Additions | | 142,937,016 | 21,152,713 | 4,052,429 | 1,725,559 | | 2,729,352 | | 45,887,573 | 21,500 | 218,506,142 |
| Reclassification | | (1,227,364,318) | 1,008,978,979 | 210,506,690 | 1,367,959 | 1,295,998 | 2,314,692 | | 2,900,000 | | |
| 30 Jun 2023 | 376,785,551 | 1,619,820 | 1,517,994,290 | 874,086,230 | 53,950,449 | 12,892,232 | 96,297,756 | 32,098,525 | 498,936,799 | 13,912,814 | 3,478,574,466 |
| Depreciation | | | | | | | | | | | |
| 1 July 2022 | 53,330,096 | | 108,403,574 | 391,128,410 | 49,946,480 | 11,571,062 | 86,579,271 | 26,937,746 | 412,748,260 | 12,305,759 | 1,152,950,658 |
| Charge for the year | 7,137,323 | | 30,513,099 | 57,862,196 | 433,774 | 334,773 | 4,043,504 | 1,392,146 | 25,836,850 | 541,005 | 128,094,670 |
| Disposal | | | | | | | | | (6,753,020) | | (6,753,020) |
| 30 Jun 2023 | 60,467,419 | | 138,916,673 | 448,990,606 | 50,380,254 | 11,905,836 | 90,622,775 | 28,329,892 | 431,832,090 | 12,846,764 | 1,274,292,308 |
| Net Book Value | | | | | | | | | | | |
| 30 Jun 2022 | 316,318,132 | 1,619,820 | 1,379,077,618 | 425,095,624 | 3,570,195 | 986,396 | 5,674,981 | 3,766,633 | 67,104,708 | 1,066,051 | 2,204,282,157 |
| 30 Jun 2023 | 323,455,455 | 1,086,141,530 | 379,459,025 | 268,398,700 | 910,452 | 25,171 | 4,674,441 | 5,160,779 | 42,318,462 | 1,978,231 | 2,112,522,245 |

* Work in Progress comprises buildings for which construction is ongoing. Once they are completed they will be reclassified under buildings

8 (b) PROPERTY, PLANT AND EQUIPMENT (NITZDC)

| 2022/2023 | Land & Buildings Kshs | Work in Progress* Kshs | Furniture & Fixtures Kshs | Office Equipment Kshs | Computers & Accessories Kshs | Tractors & Trailers Kshs | Motor Vehicles Kshs | Farm Tools & Implements Kshs | Total Kshs |
|--------------------------------------|--------------------------|---------------------------|------------------------------|--------------------------|---------------------------------|-----------------------------|------------------------|---------------------------------|----------------------|
| Cost | | | | | | | | | |
| 1 July 2022 | 368,740,869 | 1,084,521,710 | 46,663,583 | 9,548,192 | 72,282,663 | 32,098,525 | 335,280,196 | 14,283,989 | 1,963,419,726 |
| Adjustment for prior year correction | | (94,407) | | | | | (6,753,020) | (392,675) | (487,082) |
| Disposals | | | | | | | 44,524,780 | 21,500 | (6,753,020) |
| Additions | 1,741,116 | 142,937,016 | 357,600 | | 414,660 | | | | 189,996,672 |
| Transfer to Investment | | (1,227,364,318) | | | | | | | (1,227,364,318) |
| 30 Jun 2023 | 370,481,985 | | 47,021,183 | 9,548,192 | 72,697,323 | 32,098,525 | 373,051,956 | 13,912,814 | 918,811,978 |
| Depreciation | | | | | | | | | |
| 1 July 2022 | 53,330,096 | | 45,919,388 | 9,523,021 | 69,723,459 | 26,843,338 | 311,060,055 | 12,305,759 | 528,705,117 |
| Charge for the year | 7,137,323 | | 207,360 | 10,774 | 1,432,841 | 1,392,146 | 18,217,336 | 541,005 | 28,938,785 |
| Disposal | | | | | | | (6,753,020) | | (6,753,020) |
| 30 Jun 2023 | 60,467,419 | | 46,126,748 | 9,533,795 | 71,156,300 | 28,235,485 | 322,524,371 | 12,846,764 | 550,890,882 |
| Net Book Value | | | | | | | | | |
| 30 Jun 2022 | 310,014,566 | 1,084,521,710 | 894,435 | 14,397 | 1,541,023 | 3,863,040 | 50,527,585 | 1,066,051 | 3,67,971,096 |
| 30 Jun 2023 | 315,410,773 | 1,084,521,710 | 744,195 | 25,171 | 2,559,204 | 5,160,779 | 24,220,141 | 1,978,231 | 1,434,620,202 |

* Included in Computers and Accessories is an intangible asset amounting to Ksh. 1,484,800 for MS Dynamics Navision 2017 upgrade which is fully depreciated

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

9. Long-term Investments

| | NTZDC 2022/2023 Kshs | NTZDC 2021/2022 Kshs | Consolidated 2022/2023 Kshs | 2021/2022 Kshs |
|--|----------------------------|----------------------------|-----------------------------------|-------------------|
| Investment in KTDA Factories Shares | 71,066,898 | 70,965,897 | 71,066,898 | 70,965,897 |
| Investment in Kipchabo Tea Factory Ltd | 809,271,518 | 809,271,518 | - | - |
| Investment in Gatitu Tea Factory Ltd | 1,227,364,318 | - | - | - |
| | 2,107,702,734 | 880,237,415 | 71,066,898 | 70,965,897 |

(i) The Investment in KTDA Factories is Corporations shareholding at various KTDA factories (Appendix I). The investments are stated at cost as there is no available market values.

(ii) The investments in Kipchabo and Gatitu Tea Factories are disclosed under Property, Plant & Equipment under Note 8 after consolidation in pages 2 and 19.

(iii) The investment in Gatitu Tea Factory Ltd of Ksh. 1,227,363,318 is a transfer from Work-in-Progress after commissioning of the factory

10. Inventories

| | NTZDC 2022/2023 Kshs | NTZDC 2021/2022 Kshs | Consolidated 2022/2023 Kshs | 2021/2022 Kshs |
|---------------------------------|----------------------------|----------------------------|-----------------------------------|--------------------|
| Farm Inputs & Nursery Materials | 53,129,125 | 32,938,851 | 53,129,125 | 32,938,851 |
| KTF & GTF Inventories | | | 224,179,652 | 155,680,232 |
| | 53,129,125 | 32,938,851 | 277,308,777 | 188,619,082 |

Stocks are valued at lower of cost or net realizable.

11. Trade & Other Receivables

Trade Debtors

| | NTZDC 2022/2023 Kshs | NTZDC 2021/2022 Kshs | Consolidated 2022/2023 Kshs | 2021/2022 Kshs |
|-----------------------------------|----------------------------|----------------------------|-----------------------------------|--------------------|
| KTDA- Green leaf debtors | 438,951,742 | 536,533,480 | 438,951,742 | 536,533,480 |
| KTDA- Transport refund | 9,270,978 | 9,145,238 | 9,270,978 | 9,145,238 |
| Gatitu Factory Green Leaf Debtors | 117,844,214 | - | 89,917,455 | - |
| Emrok Tea Factory | 1,385,500 | 1,385,500 | 1,385,500 | 1,385,500 |
| Sisibo Tea Factory | 10,294,160 | 16,706,364 | 10,294,160 | 16,706,364 |
| Kuresoi Tea and Tumoi | 10,680,080 | 5,128,936 | 10,680,080 | 5,128,936 |
| Chepkumia Tea Factory | 161,007 | 161,007 | 161,007 | 161,007 |
| Elgon Tea & Coffee | 8,269,834 | 5,622,944 | 8,269,834 | 5,622,944 |
| Mbogo Valley | 7,523,324 | - | 7,523,324 | - |
| Accrued Interest | 797,685 | 1,096,300 | 797,685 | 1,096,300 |
| KTF & GTF Debtors | | | 89,803,304 | 41,369,492 |
| | 605,178,525 | 575,779,768 | 667,055,069 | 617,149,260 |

KTF & GTF Debtors are receivables for finished tea due from customers of the factory

Prepayments

| | | | | |
|----------------|-------------------|-------------------|-------------------|-------------------|
| Other Deposits | 33,307,375 | 31,057,904 | 33,307,375 | 31,057,904 |
| | 33,307,375 | 31,057,904 | 33,307,375 | 31,057,904 |

Imprests, Advances and Loans

| | | | | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| Temporary Imprest | 8,449,124 | 4,363,527 | 8,449,124 | 4,363,527 |
| Provision Doubtful debts | (3,300,782) | (3,300,782) | (3,300,782) | (3,300,782) |
| Standing Imprests | 1,517,714 | 1,507,779 | 1,517,714 | 1,507,779 |
| Insurance claims | 1,318,919 | 1,318,919 | 1,318,919 | 1,318,919 |
| Staff loans | 2,187,864 | 5,859,863 | 2,187,864 | 5,859,863 |
| | 10,172,839 | 9,749,305 | 10,172,839 | 9,749,305 |
| | 648,658,739 | 616,586,978 | 710,535,283 | 657,956,469 |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

| | | |
|--|---------------------------------|--|
| Liabilities as Current or Non-current (issued in January 2020, amended in October 2022) | | periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022) | <i>Not applicable for NTZDC</i> | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022) | <i>Not applicable for NTZDC</i> | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |

(The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements).

4. Summary of Significant Accounting Policies

(a) Revenue Recognition

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

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

(b) Property Plant & Equipment

Property, plant and equipment are measured at cost or revalued amounts less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

(c) Depreciation and impairment of property, plant and equipment

Depreciation is calculated on a straight line basis, at annual rates estimated to write-off the assets over their expected useful lives. Assets are depreciated for full year in the year of acquisition while no depreciation is charged in the year of disposal. The annual depreciation rates in use are: -

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

(d) Bearer Plants

Bearer plants are measured as property plant and equipment and amortized at 5% annually on straight line. Before maturity bearer plants are measured at accumulated cost and reported as work-in-progress (WIP). After maturity WIP

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

is transferred to mature bearer plants at the accumulated cost and depreciated over the expected useful life of 20 years.

(e) Inventories

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

(f) 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.

(g) Trade Payables (Creditors) and Accruals

Payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(h) Cash and Cash Equivalents

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

(i) Consolidation

The financial statements for year ending 30 June 2023 have been consolidated with those of the subsidiary company (Kipchabo Tea Factory Ltd) which is wholly owned by the Corporation.

(j) Financial risk management

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

(k) Related Party disclosures

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

(l) Biological Assets

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

(m) Contingent Liabilities

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

- i. Lawsuit Case No. 120 of 2018 Eldoret ELRC, Silvester K. Kaitany -Vs-Nyayo Tea Zones Development Corporation. An individual in Elgeyo Marakwet County one Silvester Kaitany has laid claim to the Corporations land measuring 17.34 hectares who claims he was allocated the land in 1999. The plaintiff has claimed for General damages for ksh. 98,120,000 on loss of profits plus Ksh. 16,000,000 Special damages on trees that were on the land. The high court ruled in favour of the plaintiff and the Corporation appealed in the Court of appeal. The matter is pending.
- ii. Constitution Case No. 7 of 2016, Beatrice Wanjiru & Others Versus Hon. Attorney General & Nyayo Tea Zones Development Corporation. During the initial days of the Corporation establishment in 1980s, the Government tasked the then provincial administration to engage casuals to clear fields for planting tea. A group of individuals who worked as casual workers during the establishment sued the Corporation claiming they were not paid their

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

dues amounting to ksh.500 million. The Corporation filed its defense and upon determination their case was dismissed by the High Court. The claimants filed an appeal in the Court of Appeal Case No. 79 Of 2018 at Nyeri which is ongoing. The Corporation management has no reason to believe that the disposition of this case will have a material adverse effect on the financial position of the Corporation.

(n) Details of Events after reporting Date

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the NTZDC'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.

(a) 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 NTZDC 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 Corporation. Such changes are reflected in the assumptions when they occur.

(b) 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 NTZDC
- 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

(c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Notes 11 and Note 16.

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.

- Provision for legal costs was based on the estimate of the fee note on the ongoing case *NTZDC Vs Silverster Kaitany* which in the Court of Appeal awaiting hearing and determination.
- Provision for audit fees was based on prior year audit fee note.

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| 2 (a) Revenue | NTZDC | NTZDC | Consolidated | |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2022/2023 | 2021/2022 | 2022/2023 | 2021/2022 |
| | Kshs | Kshs | Kshs | Kshs |
| Green Leaf Sales | 1,551,817,254 | 1,341,519,212 | 1,551,817,254 | 1,341,519,212 |
| Less Intercompany (KTF & GTF Factory) | | - | (670,374,262) | (339,175,746) |
| Sale of Finished Tea | - | - | 1,591,449,436 | 1,082,653,627 |
| Transport refund | 5,605,572 | 9,622,258 | 5,605,572 | 9,622,258 |
| Fuelwood sales | 7,265,306 | 3,436,890 | 7,265,306 | 3,436,890 |
| | 1,564,688,132 | 1,354,578,360 | 2,485,763,307 | 2,098,056,241 |

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

| 2 (b) Cost of Production | NTZDC | NTZDC | Consolidated | Consolidated |
|--------------------------------------|--------------------|--------------------|----------------------|----------------------|
| | 2022/2023 | 2021/2022 | 2022/2023 | 2021/2022 |
| | Kshs | Kshs | Kshs | Kshs |
| Plantation Labour | 446,738,384 | 339,480,628 | 446,738,384 | 339,480,628 |
| Farm Inputs | 265,657,203 | 114,851,518 | 265,657,203 | 114,851,518 |
| Transport | 84,385,808 | 70,109,135 | 84,385,808 | 70,109,135 |
| KTDA Charges | 1,191,893 | 995,186 | 1,191,893 | 995,186 |
| KTF/GTF factories cost of Production | | | 1,374,377,157 | 903,355,861 |
| Less Intercompany (KTF/ GTF Factory) | | | (670,374,262) | (339,175,746) |
| | 797,973,288 | 525,436,467 | 1,501,976,184 | 1,089,616,582 |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

| | NTZDC 2022/2023 Kshs | NTZDC 2021/2022 Kshs | Consolidated 2022/2023 Kshs | 2021/2022 Kshs |
|---|----------------------------|----------------------------|-----------------------------------|-------------------|
| 2 (c) Other Income | | | | |
| Exchange gain | 2,567,340 | 291,491 | 2,567,340 | 291,491 |
| Interest Income | 18,708,236.05 | 8,610,593 | 18,708,236 | 8,610,593 |
| Dividends from KTDA factories | 9,007,912.80 | 10,405,514 | 9,007,913 | 10,405,514 |
| Miscellaneous Income | 1,483,000.00 | 3,416,000 | 1,483,000 | 3,416,000 |
| KTF & GTF Factories Other Income/(Loss) | - | - | 35,448,623 | 1,195,116 |
| | 31,766,489 | 22,723,598 | 67,215,112 | 23,918,715 |

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

3. Administrative Expenses

(a) Employment expenses

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Salaries and wages | 181,231,039 | 186,794,704 | 181,231,039 | 186,794,704 |
| House Allowance | 35,946,000 | 35,550,500 | 35,946,000 | 35,550,500 |
| Leave Allowance | 5,710,850 | 6,010,593 | 5,710,850 | 6,010,593 |
| Commuter & Other allowances | 40,373,082 | 45,405,610 | 40,373,082 | 45,405,610 |
| Medical Allowance | 33,628,225 | 30,014,648 | 33,628,225 | 30,014,648 |
| Staff Welfare | 5,985,115 | 4,407,444 | 5,985,115 | 4,407,444 |
| Social Security Expenses | 21,166,035 | 38,882,872 | 21,166,035 | 38,882,872 |
| Staff Uniforms | 817,223 | - | 817,223 | - |
| Staff Training | 5,126,297 | 2,175,295 | 5,126,297 | 2,175,295 |
| Travelling & Subsistence | 26,173,803 | 27,759,980 | 26,173,803 | 27,759,980 |
| KTF & GTF Factories Employment Expenses | - | - | 90,679,950 | 85,622,399 |
| | 356,157,668 | 377,001,647 | 446,837,618 | 462,624,046 |

(b) Other administration expenses

| | | | | |
|-----------------------------------|-------------------|-------------------|--------------------|-------------------|
| Advertising Marketing & Publicity | 1,456,150 | 3,281,945 | 1,456,150 | 3,281,945 |
| Donations | 60,000 | 502,000 | 60,000 | 502,000 |
| Audit fees | 500,000 | 1,636,070 | 500,000 | 1,636,070 |
| Printing & Stationery | 3,862,549 | 4,127,957 | 3,862,549 | 4,127,957 |
| Telephone & Postage | 8,041,671 | 7,626,826 | 8,041,671 | 7,626,826 |
| Publications & Periodicals | 767,330 | 869,026 | 767,330 | 869,026 |
| General Office Expenses | 293,830 | 2,585,720 | 293,830 | 2,585,720 |
| Transport Operating | 9,376,201 | 7,789,904 | 9,376,201 | 7,789,904 |
| Legal & Professional | 64,640 | 16,530,632 | 64,640 | 16,530,632 |
| Cleaning | 945,981 | 1,028,530 | 945,981 | 1,028,530 |
| Bank charges | 2,456,809 | 2,456,881 | 2,456,809 | 2,456,881 |
| KTF & GTF Administration Expenses | - | - | 77,296,936 | 26,576,014 |
| | 27,825,162 | 48,432,826 | 105,122,098 | 75,008,840 |

(c.) Directors' Expenses

| | | | | |
|----------------|------------|-----------|------------|-----------|
| Board Expenses | 15,699,513 | 9,723,883 | 15,699,513 | 9,723,883 |
|----------------|------------|-----------|------------|-----------|

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

| | NTZDC 2022/2023 Kshs | NTZDC 2021/2022 Kshs | Consolidated 2022/2023 Kshs | 2021/2022 Kshs |
|------------------------------------|----------------------------|----------------------------|-----------------------------------|--------------------|
| 4. Other operating expenses | | | | |
| Establishment: | | | | |
| Rent & Rates | 3,382,321 | 3,597,913 | 3,382,321 | 3,597,913 |
| Light & Water | 1,019,600 | 1,461,131 | 1,019,600 | 1,461,131 |
| Repairs & Maintenance | 13,048,487 | 7,597,231 | 13,048,487 | 7,597,231 |
| Licences | 2,680,125 | 5,643,930 | 2,680,125 | 5,643,930 |
| Insurance | 5,458,462 | 5,349,399 | 5,458,462 | 5,349,399 |
| Security | 1,934,766 | 3,904,999 | 1,934,766 | 3,904,999 |
| Depreciation | 28,938,785 | 29,033,332 | 28,938,785 | 29,033,332 |
| Amortization | 89,504,600 | 72,619,411 | 89,504,600 | 72,619,411 |
| KTF & GTF Other operating expenses | | - | 105,578,722 | 66,774,889 |
| Total Expenses | 145,967,146 | 129,207,346 | 251,545,868 | 195,982,235 |
| 5. Finance Cost | | | | |
| Exchange Gain/ (Loss) | 15,743,110 | 484,859 | 15,743,110 | 484,859 |
| Interest on Commercial Bank Loans | 23,242,330 | 16,071,697 | 23,242,330 | 16,071,697 |
| | 38,985,441 | 16,556,556 | 38,985,441 | 16,556,556 |

Operating Profit

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

| | | | | |
|------------------------------|------------|------------|------------|------------|
| Depreciation | 28,938,785 | 29,033,332 | 28,938,785 | 29,033,332 |
| Amortization | 89,504,600 | 72,619,411 | 89,504,600 | 72,619,411 |
| Auditor's Remuneration | 500,000 | 1,636,070 | 500,000 | 1,636,070 |
| Kipchabo/Gatitu Depreciation | | | 99,155,885 | 62,662,698 |

6. Biological Assets - NTZDC

| | Consolidated 2022/2023 Forest Kshs | 2021/2022 Forest Kshs |
|-----------------------------|---|-----------------------------|
| Balance as at 1st July 2022 | 838,230,042 | 827,348,918 |
| Changes in value | 12,877,584 | 10,881,124 |
| 30th Jun 2023 | 851,107,626 | 838,230,042 |

7. Property Plant & Equipment

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

| | Tea Kshs | Work-in progress tea Kshs | Total Kshs |
|---------------------------------------|----------------------|------------------------------|----------------------|
| Balance as at 1st July 2022 | 1,452,388,225 | 1,096,002,325 | 2,548,390,550 |
| Additions | - | 213,092,299 | 213,092,299 |
| Transfer-WIP(Young Tea) to mature tea | 337,703,781 | (337,703,781) | - |
| 30 Jun 2023 | 1,790,092,006 | 971,390,843 | 2,761,482,849 |
| Depreciation | | | |
| Balance as at 1st July 2022 | 408,440,897 | - | 408,440,897 |
| Charge for the year | 89,504,600 | - | 89,504,600 |
| 30 Jun 2023 | 497,945,497 | - | 497,945,497 |
| 30 Jun 2023 | 1,292,146,509 | 971,390,843 | 2,263,537,352 |
| 30th June 2022 | 1,043,947,328 | 1,096,002,325 | 2,139,949,653 |

Note: Bearer Plants includes tea plantations established by Nyayo Tea Zones Development Corporation.

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023
NOTES TO THE FINANCIAL STATEMENTS

8. (a) PROPERTY, PLANT AND EQUIPMENT (Consolidated)

| 2022/2023 | Land & Buildings Kshs | Work in Progress* Kshs | Factory Buildings Kshs | Factory Machinery Kshs | Furniture & Fixtures Kshs | Office Equipment Kshs | Computers & Accessories Kshs | Tractors & Trailers Kshs | Motor Vehicles Kshs | Farm Tools & Implements Kshs | Total Kshs |
|--------------------------------------|--------------------------|---------------------------|---------------------------|---------------------------|------------------------------|--------------------------|---------------------------------|-----------------------------|------------------------|---------------------------------|---------------|
| Cost | | | | | | | | | | | |
| 1 July 2022 | 376,785,551 | 1,086,141,530 | 487,862,599 | 659,527,110 | 50,856,932 | 11,596,234 | 91,253,712 | 32,098,525 | 455,066,721 | 14,283,989 | 3,265,472,902 |
| Adjustment for prior year correction | | (94,407) | | | | | | | 1,835,524 | (392,675) | 1,348,441 |
| Disposals | | | | | | | | | (6,753,020) | | (6,753,020) |
| Additions | | 142,937,016 | 21,152,713 | 4,052,429 | 1,725,559 | | 2,729,352 | | 45,887,573 | 21,500 | 218,506,142 |
| Reclassification | | (1,227,364,318) | 1,008,978,979 | 210,506,690 | 1,367,959 | 1,295,998 | 2,314,692 | | 2,900,000 | | |
| 30 Jun 2023 | 376,785,551 | 1,619,820 | 1,517,994,290 | 874,086,230 | 53,950,449 | 12,892,232 | 96,297,756 | 32,098,525 | 499,936,799 | 13,912,814 | 3,478,574,466 |
| Depreciation | | | | | | | | | | | |
| 1 July 2022 | 53,330,096 | | 108,403,574 | 391,128,410 | 49,946,480 | 11,571,062 | 86,579,271 | 26,937,746 | 412,748,260 | 12,305,759 | 1,152,950,658 |
| Charge for the year | 7,137,323 | | 30,513,099 | 57,982,196 | 433,774 | 334,773 | 4,043,504 | 1,392,146 | 25,836,850 | 541,005 | 128,094,670 |
| Disposal | | | | | | | | | (6,753,020) | | (6,753,020) |
| 30 Jun 2023 | 60,467,419 | | 138,916,673 | 448,990,606 | 50,380,254 | 11,905,836 | 90,622,775 | 28,329,892 | 431,832,090 | 12,846,764 | 1,274,292,308 |
| Net Book Value | | | | | | | | | | | |
| 30 Jun 2022 | 316,318,132 | 1,619,820 | 1,379,077,618 | 425,995,624 | 3,570,195 | 986,396 | 5,674,981 | 3,768,633 | 67,104,708 | 1,066,051 | 2,204,282,157 |
| 30 Jun 2023 | 323,455,455 | 1,086,141,530 | 379,459,025 | 268,998,700 | 910,452 | 25,171 | 4,674,441 | 5,160,779 | 42,318,462 | 1,978,231 | 2,112,522,245 |

* Work-in-Progress comprises buildings for which construction is ongoing. Once they are completed they will be reclassified under buildings

8 (b) PROPERTY, PLANT AND EQUIPMENT (NTZDC)

| 2022/2023 | Land & Buildings Kshs | Work in Progress* Kshs | Furniture & Fixtures Kshs | Office Equipment Kshs | Computers & Accessories Kshs | Tractors & Trailers Kshs | Motor Vehicles Kshs | Farm Tools & Implements Kshs | Total Kshs |
|--------------------------------------|--------------------------|---------------------------|------------------------------|--------------------------|---------------------------------|-----------------------------|------------------------|---------------------------------|-----------------|
| Cost | | | | | | | | | |
| 1 July 2022 | 388,740,869 | 1,084,521,710 | 46,663,583 | 9,548,192 | 72,282,663 | 32,098,525 | 335,280,196 | 14,283,989 | 1,963,419,726 |
| Adjustment for prior year correction | | (94,407) | | | | | | (392,675) | (487,082) |
| Disposals | | | | | | | (6,753,020) | | (6,753,020) |
| Additions | 1,741,116 | 142,937,016 | 357,600 | | 414,660 | | 44,524,780 | 21,500 | 189,996,672 |
| Transfer to investment | | (1,227,364,318) | | | | | | | (1,227,364,318) |
| 30 Jun 2023 | 370,481,985 | | 47,021,183 | 9,548,192 | 72,697,323 | 32,098,525 | 373,051,956 | 13,912,814 | 918,811,978 |
| Depreciation | | | | | | | | | |
| 1 July 2022 | 53,330,096 | | 45,919,388 | 9,523,021 | 69,723,459 | 26,843,338 | 311,060,055 | 12,305,759 | 528,705,117 |
| Charge for the year | 7,137,323 | | 207,360 | 10,774 | 1,432,841 | 1,392,146 | 18,217,336 | 541,005 | 28,938,785 |
| Disposal | | | | | | | (6,753,020) | | (6,753,020) |
| 30 Jun 2023 | 60,467,419 | | 46,126,748 | 9,533,795 | 71,156,300 | 28,235,485 | 322,524,371 | 12,846,764 | 550,890,882 |
| Net Book Value | | | | | | | | | |
| 30 Jun 2022 | 315,410,773 | 1,084,521,710 | 894,435 | 14,397 | 1,541,023 | 3,863,040 | 50,527,585 | 1,066,051 | 367,921,096 |
| 30 Jun 2023 | 315,410,773 | 1,084,521,710 | 744,195 | 25,171 | 2,559,204 | 5,160,779 | 24,220,141 | 1,978,231 | 1,434,620,202 |

* included in Computers and Accessories is an intangible asset amounting to Ksh. 1,484,800 for MS Dynamics Navision 2017 upgrade which is fully depreciated

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

9. Long-term Investments

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

| 10. Inventories | NTZDC | NTZDC | Consolidated | 2021/2022 Kshs |
|---------------------------------|-------------------|-------------------|--------------------|--------------------|
| | 2022/2023 Kshs | 2021/2022 Kshs | 2022/2023 Kshs | |
| Farm Inputs & Nursery Materials | 53,129,125 | 32,938,851 | 53,129,125 | 32,938,851 |
| KTF & GTF Inventories | | | 224,179,652 | 155,680,232 |
| | 53,129,125 | 32,938,851 | 277,308,777 | 188,619,082 |

Stocks are valued at lower of cost or net realizable.

| 11. Trade & Other Receivables | NTZDC | NTZDC | Consolidated | 2021/2022 Kshs |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2022/2023 Kshs | 2021/2022 Kshs | 2022/2023 Kshs | |
| Trade Debtors | | | | |
| KTDA- Green leaf debtors | 438,951,742 | 536,533,480 | 438,951,742 | 536,533,480 |
| KTDA- Transport refund | 9,270,978 | 9,145,238 | 9,270,978 | 9,145,238 |
| Gatitu Factory Green Leaf Debtors | 117,844,214 | - | 89,917,455 | - |
| Emrok Tea Factory | 1,385,500 | 1,385,500 | 1,385,500 | 1,385,500 |
| Sisibo Tea Factory | 10,294,160 | 16,706,364 | 10,294,160 | 16,706,364 |
| Kuresoi Tea and Tumoi | 10,680,080 | 5,128,936 | 10,680,080 | 5,128,936 |
| Chepkumia Tea Factory | 161,007 | 161,007 | 161,007 | 161,007 |
| Elgon Tea & Coffee | 8,269,834 | 5,622,944 | 8,269,834 | 5,622,944 |
| Mbogo Valley | 7,523,324 | - | 7,523,324 | - |
| Accrued Interest | 797,685 | 1,096,300 | 797,685 | 1,096,300 |
| KTF & GTF Debtors | | | 89,803,304 | 41,369,492 |
| | 605,178,525 | 575,779,768 | 667,055,069 | 617,149,260 |

KTF & GTF Debtors are receivables for finished tea due from customers of the factory

Prepayments

| | | | | |
|----------------|-------------------|-------------------|-------------------|-------------------|
| Other Deposits | 33,307,375 | 31,057,904 | 33,307,375 | 31,057,904 |
| | 33,307,375 | 31,057,904 | 33,307,375 | 31,057,904 |

Imprests, Advances and Loans

| | | | | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| Temporary Imprest | 8,449,124 | 4,363,527 | 8,449,124 | 4,363,527 |
| Provision Doubtful debts | (3,300,782) | (3,300,782) | (3,300,782) | (3,300,782) |
| Standing Imprests | 1,517,714 | 1,507,779 | 1,517,714 | 1,507,779 |
| Insurance claims | 1,318,919 | 1,318,919 | 1,318,919 | 1,318,919 |
| Staff loans | 2,187,864 | 5,859,863 | 2,187,864 | 5,859,863 |
| | 10,172,839 | 9,749,305 | 10,172,839 | 9,749,305 |
| | 648,658,739 | 616,586,978 | 710,535,283 | 657,956,469 |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

| | NTZDC | | Consolidated | |
|--|--------------------|-------------------|--------------------|-------------------|
| | 2022/2023 | 2021/2022 | 2022/2023 | 2021/2022 |
| | Kshs | Kshs | Kshs | Kshs |
| 12. Cash & Cash Equivalents | | | | |
| Zone Accounts Cash balances | 5,397,852 | 7,746,773 | 5,397,852 | 7,746,773 |
| Savings Account | 8,520,158 | 1,960,662 | 8,520,158 | 1,960,662 |
| Current Account | 5,662,326 | 3,806,349 | 5,662,326 | 3,806,349 |
| Fixed Deposits | 190,695,432 | 65,789,312 | 190,695,432 | 65,789,312 |
| Credit Bank Account | 3,238,403 | 166,042 | 3,238,403 | 166,042 |
| Current Account- Project | 1,670 | 735 | 1,670 | 735 |
| Cash in Hand | 255,000 | 255,000 | 255,000 | 255,000 |
| KTF & GTF Cash & Cash Equivalents | | | 34,362,440 | 7,548,178 |
| | 213,770,841 | 79,724,873 | 248,133,281 | 87,273,051 |

13. General Fund

| | | | | |
|-------------------|----------------------|----------------------|----------------------|----------------------|
| Accumulated Fund | 1,679,068,970 | 1,619,068,970 | 1,679,068,970 | 1,619,068,970 |
| ADF Grant | 741,760,713 | 741,760,713 | 741,760,713 | 741,760,713 |
| Reserves | 3,401,162,809 | 3,187,316,406 | 3,404,776,373 | 3,221,605,260 |
| Proposed Dividend | | 13,623,141 | 9,640,585 | 13,623,141 |
| | 5,821,992,492 | 5,561,769,229 | 5,835,246,640 | 5,596,058,084 |

Accumulated Fund relates to the corporations core capital ADF Grant relates to African Development Bank Green Zone project phase II

14. Commercial Bank Loans

| | | | | |
|--------------------------|--------------------|-------------------|--------------------|-------------------|
| Credit Bank loan | 260,008,306 | 150,789,535 | 260,008,306 | 150,789,535 |
| UBA Bank Loan | 56,541,889 | 60,220,983 | 56,541,889 | 60,220,983 |
| Less due within the year | (155,487,134) | (131,975,315) | (155,487,134) | (131,975,315) |
| | 161,063,061 | 79,035,203 | 161,063,061 | 79,035,203 |

Relates to Commercial Bank loans to finance machinery for Kipchabo and Gatitu Tea Factories

15. Creditors

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Kipchabo Factory Creditors - Intercompany | 82,056,684 | 28,372,708 | 82,056,684 | - |
| Trade Creditors | 114,049,620 | 68,056,169 | 114,049,620 | 68,056,169 |
| Other Creditors | 42,653,494 | 32,781,761 | 42,653,494 | 32,781,761 |
| KTF & GTF Creditors | | - | 103,834,586 | 60,031,198 |
| | 238,759,798 | 129,210,638 | 342,594,384 | 160,869,128 |

the variance with intercompany creditors.

16. Accruals

| | | | | |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| Dividends Payable | 77,547,381 | 63,924,241 | 77,547,381 | 63,924,241 |
| Provision for Gratuity | 20,417,628 | 25,749,849 | 20,417,628 | 25,749,849 |
| Accruals | 30,560,018 | 30,623,540 | 30,560,018 | 30,623,540 |
| Kipchabo Factory Accruals | | - | 3,055,127 | 7,281,081 |
| | 128,525,028 | 120,297,630 | 131,580,155 | 127,578,711 |

17. Registration

The Corporation is registered in Kenya through a Gazette notice LN265/1986 as a parastatal and is resident in Kenya.

18. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements for the year ended June 30, 2023

20. APPENDIX I

SCHEDULE OF LONG-TERM INVESTMENTS

| TEA FACTORIES | 2022/2023 Kshs | Additions | 2021/2022 Kshs |
|----------------------|---------------------------|------------------|---------------------------|
| Chinga | 53,805 | | 53,805 |
| Chebut | 4,680,316 | | 4,680,316 |
| Gacharage | 586,265 | | 586,265 |
| Gachege | 104,085 | | 104,085 |
| Gathuthi | 3,695,973 | | 3,695,973 |
| Gatunguru | 248,720 | | 248,720 |
| Githambo | 35,370 | | 35,370 |
| Githongo | 1,691,950 | | 1,691,950 |
| Gitugi | 628,055 | | 628,055 |
| Gituri | - | | - |
| Ikumbi | 12,665 | | 12,665 |
| Imenti | 482,452 | | 482,452 |
| Iriani | 129,795 | | 129,795 |
| Kagwe | 1,058,117 | | 1,058,117 |
| Kambaa | 266,605 | | 266,605 |
| Kangaita | 174,108 | | 174,108 |
| Kapkoros | 4,192,369 | | 4,192,369 |
| Kapsara | 4,132,845 | | 4,132,845 |
| kapset | 6,031,141 | | 6,031,141 |
| Kathangariri | 4,341,130 | | 4,341,130 |
| Kenenyaini | 38,665 | | 38,665 |
| Kiegoi | 911,240 | | 911,240 |
| Kiru | 555,730 | | 555,730 |
| Kimunye | 553,785 | | 553,785 |
| Kinoro | 1,917,535 | | 1,917,535 |
| Kionyo | 779,500 | | 779,500 |
| Kuri | 534,475 | | 534,475 |
| Makomboki | 210,075 | | 210,075 |
| Mataara | 7,345 | | 7,345 |
| Michimikuru | 117,290 | | 117,290 |
| Mogogosiek | 6,714,485 | 101,001 | 6,613,485 |
| Mundete | 587,663 | | 587,663 |
| Mungania | 982,320 | | 982,320 |
| Mununga | 76,670 | | 76,670 |
| Ndimu | 277,630 | | 277,630 |
| Ngere | 245,735 | | 245,735 |
| NJunu | 56,485 | | 56,485 |
| Ragati | 1,085,565 | | 1,085,565 |
| Rukuriri | 431,250 | | 431,250 |
| Tergat | 17,065 | | 17,065 |
| Thananga | 1,867,639 | | 1,867,639 |
| Theta | 176,445 | | 176,445 |
| Thumaita | 1,913,776 | | 1,913,776 |
| Tirgaga | 14,296,719 | | 14,296,719 |
| Weru | 4,166,045 | | 4,166,045 |
| Total | 71,066,898 | 101,001 | 70,965,897 |

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

21. APPENDIX II: IMPLEMENTATION STATUS OF AUDITOR-GENERAL PRIOR YEAR RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue/Observation from auditor | Management Comments | Focal point person to resolve the issue (Name & Designation) | Status: (Resolved/Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|--|---|---|
| 1.1 Property Plant & Equipment | Irregular Procurement of Tractors | The Corporation had relied on a Contract between the dealer and the Government of Kenya which unfortunately had expired by the time the deliveries were made. The Corporation did not lose money since the price offered in the expired contract was lower than what was in the renewed Contract | Mr Elijah Mayieka, Procurement Manager | The omission was noted and measures put in place to ensure that the Corporation uses only the current valid contracts when procuring. | Issue resolved |
| 1.2 Land without title deeds | Value of Ksh. 323.46 million disclosed under PPE – Land & Buildings excludes value of land on which the tea and forest plantations are established. | The land where Nyayo Tea Zones buffer belts (tea & fuelwood) are established is still gazetted and is part of the forest. However, Section 3(1) (b) and (c) of the Nyayo Tea Zones Development Corporation Order states that “after the creation of the tea and fuelwood growing zones, the land shall be vested and become the property of the Corporation for the purposes of the Order; and any tea and fuel wood growing area created and developed in gazetted forests and trust land forests by the Government prior to the making of this Order, shall be deemed to have been created by the Corporation for the purposes of the Order” | Mr. Peter Korir, Managing Director | Not resolved by the date of submitting this report to the Auditor General | Not possible to project due to the fact that the gazetted land is under the custody of Kenya Forest Service (KFS) while the Nyayo Tea Zones Development Corporation Order states the land belongs to the Corporation. Both institutions belong to the government and the matter requires clarification from the government. |
| 1.3 Encroached land | Value of Ksh. 323.462 million disclosed under PPE Bearer Plants excludes land measuring 66 which | High Court Case No. 120 of 2018 Eldoret ELRC, Silvester K. Kaitany -Vs-Nyayo Tea Zones Development Corporation was determined in favour of the | Mr. Peter Korir, Managing Director | Not resolved by the date of submitting this report to the Auditor General | Corporation is waiting for determination by court of appeal as well as |

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2023**

| | | | | | |
|---|---|--|---|---|---|
| | was illegally excised. In addition a third party has made a claim on the land measuring 17.34 ha claiming it was allocated to him. | plaintiff. The Corporation appealed and the matter is pending determination in the Court of Appeal. The Corporation also forwarded the details of the land to Ethics and Anti-Corruption Commission (EACC) and the matter is still outstanding as we await the outcomes of their investigations/determination. | | | communication from EACC on the way forward. |
| Fully Depreciated Motor Vehicles | Sixty-One (61) serviceable motor vehicles had been fully depreciated and not revalued as at 30th June 2022 | The Corporation had already initiated the process of Valuation by end of the financial year, but the valuation had not commenced | Mr. Peter Korir, Managing Director | Valuation had been completed and awaiting the report from the professional valuers. | Resolved |
| Non-Compliance with One-Third Basic Salary Rule | Some Officers earned net salaries below one-third of their basic contrary to Employment Act | Management plans to upgrade the payroll module which will not allow the pay to be below one third of the Employee basic pay. The management had engaged the affected staff and instructed them to regularize the anomaly. | Mr. William Togom, Head of Human Resources and Administration | Partially resolved. Corporation is waiting Officers to clear with other institution where they had commitments. In the meantime, no staff is allowed to commit their pay beyond 2/3 of the basic to ensure Compliance | Partially Resolved and in continuous implementation |
| Long Outstanding Imprests | Advances, loans and temporary imprests that were paid in prior years that had not been surrendered | The Corporation is continuously recovering any advances, loans and temporary imprests that are outstanding beyond the stipulated period. However, some of the Officers advanced may have exited the Corporation due to death, disciplinary matters or resignation. | Mr. William Togom, Head of Human Resources and Administration | Continuous engagement with the affected officers. In cases where former staff have any outstanding balance demand is issued or recovery made from final dues or legal action considered | Partially Resolved and in continuous implementation |



Peter Korir

Managing Director

Date..... 29/09/2023