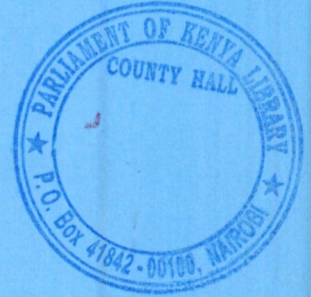
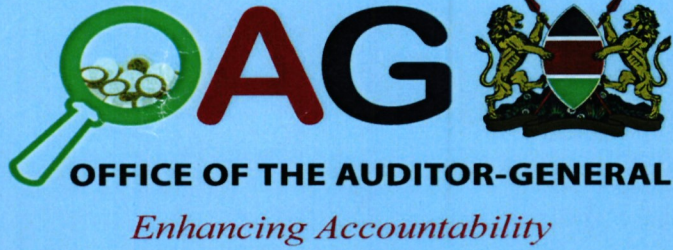


REPUBLIC OF KENYA

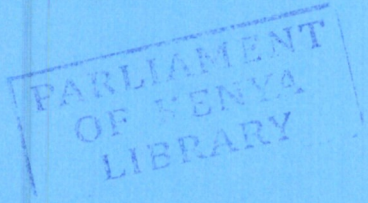


REPORT

THE NATIONAL ASSEMBLY

DATE: 12 OCT 2022

Wednesday



TABLED BY:

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THE AUDITOR-GENERAL

ON

NYAYO TEA ZONES DEVELOPMENT CORPORATION

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

30 JUN 2022

RECEIVED

NYAYO TEA ZONES DEVELOPMENT CORPORATION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

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

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

Nyayo Tea Zones Development Corporation
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I. KEY ENTITY INFORMATION

Background information

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

Principal Activity

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

Directors

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

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

Legal Officer

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

Registered Office

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

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Corporate Headquarters

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

Corporate Contacts

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

Corporate Bankers:

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

Independent Auditors

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




Principal Legal Advisers

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

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THE BOARD OF DIRECTORS





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

1	 <p>Professor Elizabeth Panteron – Chairperson</p>	<p>Prof. Elizabeth Pantoren (Ph.D.) holds BA in Sociology and MA Social Work & Social Development University of Nairobi and Ph.D. in Sociology - Kenyatta University. She has over 25 years of experience in leadership and management in wildlife and natural sectors attained while serving at Kenya Wildlife Service, where she joined as an undergraduate and rose through the ranks to senior management attaining the post of Head of Enforcement and Compliance Affairs and Community Enterprise Development Department respectively. She was a member of Climate Change Advisory Committee and Indigenous People of East African Climate Change Network.</p>
2	 <p>Mr. Peter K. Korir – Managing Director</p>	<p>Mr Peter Korir is 52 years and joined the board in November 2012. He holds a Bachelor of Science degree in Mathematics from Egerton University and MBA (Strategic Management) from University of Nairobi. He is also a graduate of IESE Business school in Advanced Management. He has over 23 years’ experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p>
3	 <p>Mr. Raymond Kemei – Independent Member</p>	<p>Mr. Kemei was appointed to the board in Oct 2015, reappointed in Dec 2018. He holds a MBA degree in strategic management and BA degree in economics. He also has a diploma in project management. He is currently a production manager with KTDA and has over 15-year experience in tea industry</p>

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

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

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II. MANAGEMENT TEAM

1	 Peter K. Korir – Managing Director	<p>Mr. Peter Korir is 52 years and joined the board in November 2012. He holds a Bachelor of Science degree in Mathematics from Egerton University and MBA (Strategic Management) from University of Nairobi. He is also a graduate of IESE Business school in Advanced Management. He has over 23 years’ experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p>
2	 Samuel Njire – Head of Finance	<p>Mr. Samuel Njire joined the corporation in 2009 and is the Head of Finance. He holds a Bachelor of Commerce (Accounting) and MBA (Finance) degrees both from University of Nairobi. He is also a certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) – Membership No. 6527. He is responsible for overall financial stewardship of the corporation. He has over 30 years’ experience in finance in both public and private institutions</p>
3	 Charles Mucheke – Head of Operations	<p>Mr. Charles Mucheke joined the Corporation in 2005 and is the Head of Operations. He holds a Bachelor of Science (Agriculture) and MBA (Operations Management) degrees both from University of Nairobi. He is responsible for all agronomy operations in the Corporation. Prior to joining the Corporation, he worked with KTDA and has over 28 years’ experience in the tea industry.</p>
4	 William Togom – Head of Human Resource and Administration	<p>Mr. Togom joined the corporation in 2003 and is the head of human resources and administration. He holds a Bachelor of Arts degree in Anthropology. He also hold a Diploma in Human Resource Management from Kenya Institute of management (KIM). He is a member of Human Resource Management Institute of Kenya – Membership No. 03386. He has over 24 years’ experience in human resource and administration.</p>
5	 David Chepkwony – Head of Commercial	<p>Mr. Chepkwony is 48 years old and joined the corporation in 2014 as head of commercial unit. He holds a Bachelor of Commerce degree in Marketing. Prior to joining the Corporation, he worked with Ketepa, Del Monte Kenya Ltd, Reckitt Benckiser EA Ltd & Unilever Kenya Ltd and has over 21 years’ experience in sales and marketing.</p>

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III. CHAIRMAN'S STATEMENT

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

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

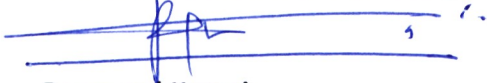
Despite these challenges the Corporation continued to discharge its mandate with resilience by adapting to the changing environment. We initiated modifications in line with the Government guidelines on management of COVID 19 including social distancing measures, mandatory wearing of face masks, regular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

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

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

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



Raymond Kemei
DIRECTOR

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

Nyayo Tea Zones Development Corporation
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IV. REPORT OF THE MANAGING DIRECTOR

General

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

Financial Results

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

Operations

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

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

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

Future Outlook

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

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Appreciation

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



Peter Korir
MANAGING DIRECTOR

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

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

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

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

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

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

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VII. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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VIII. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

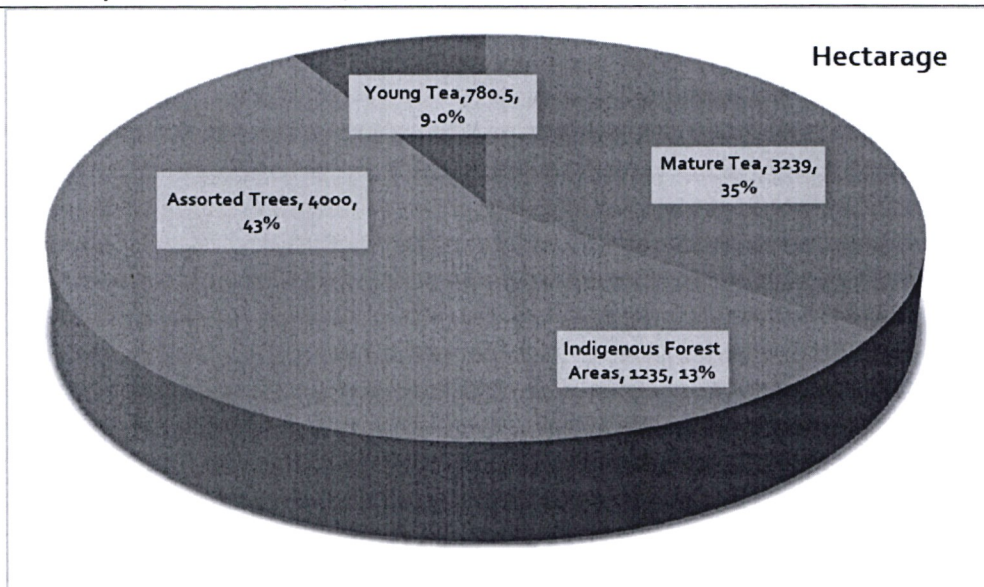
FOREST RESERVE	AREA (HA)	BUFFER AREA (HA)	% OF PROTECTED FOREST AREA	LENGTH (KM)
ABERDARE	149,822	1,093	0.73%	109.3
MT. KENYA	213,082	1,302	0.61%	130.2
NYAMBENE	5,391	113	2.09%	11.25
MAU COMPLEX	400,000	1,293	0.32%	129.3
MT. ELGON	127,000	1,021	0.80%	102.1
CHERANGANYI	947,291	495	0.05%	49.5
KAKAMEGA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

The Corporation's Estates

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

This is illustrated in Figure I below.

**Nyayo Tea Zones Development Corporation
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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.

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

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

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

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Agronomic Practices and Production

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

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

The following main agronomic activities were undertaken:

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

Weed Control

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

Fertilizer Application

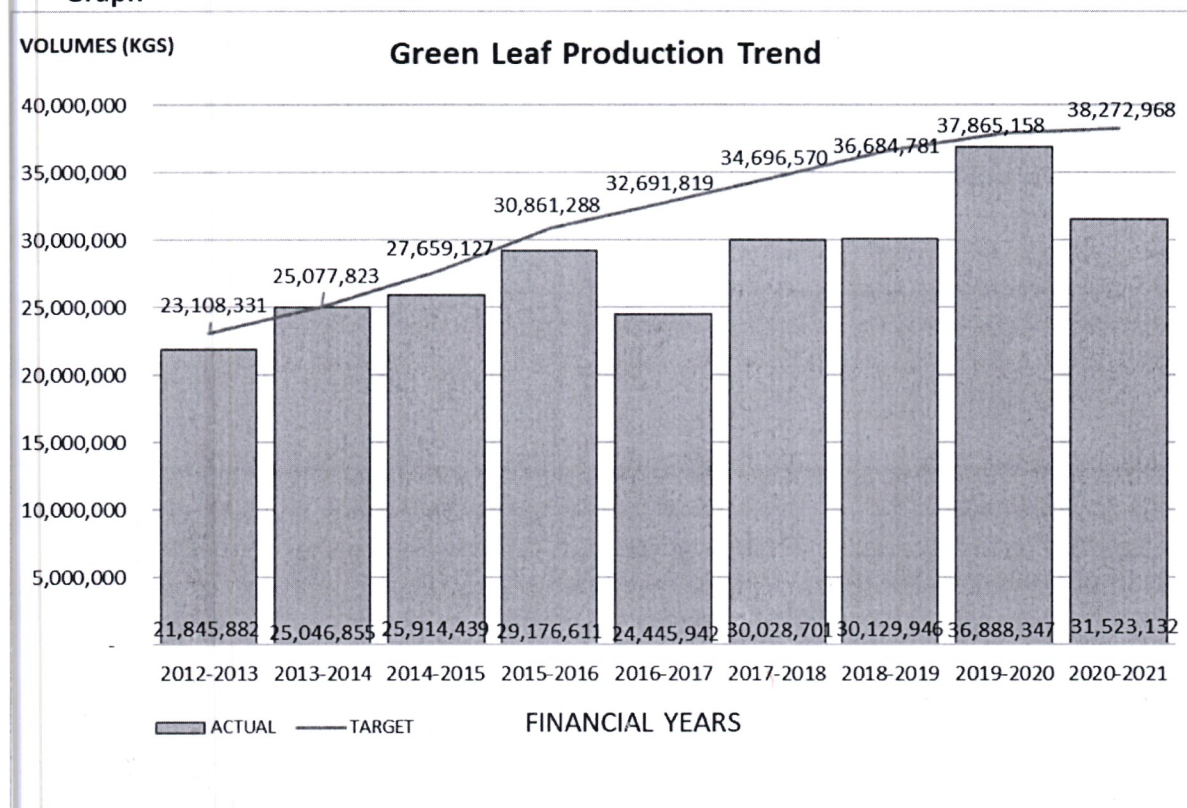
Fertilizer was not applied in the financial year 2020-2021 due to lack of supply by K.T.D.A. due to Covid-19 interruptions from the manufacturing countries.

**Nyayo Tea Zones Development Corporation
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For the year ended June 30, 2021**

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

Graph



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

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

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

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

**Nyayo Tea Zones Development Corporation
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X. REPORT OF THE DIRECTORS

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

i) Principal Activities

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

ii) Results

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

	2020/2021 (Ksh)	2019/2020 (Ksh)
Profit / (Loss) before tax	78,432,968	95,775,468
Net Profit/ (Loss) for the year	<u>78,432,968</u>	<u>95,775,468</u>

iii) Dividends

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

iv) Directors

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

v) Auditors

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

By Order of the Board



**Peter Korir
Managing Director**

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

**Nyayo Tea Zones Development Corporation
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XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The State Corporations Act requires the directors to prepare financial statements for each year, which give a true and fair view of the state of affairs of the corporation and of its operating results for that year. It also requires the directors to ensure that the corporation keeps a set of proper accounting records, which disclose with reasonable accuracy at any time the financial position of the corporation. They are also responsible for safeguarding the assets of the corporation.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the legal requirements.

The directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

**Raymond Kemei
Director**

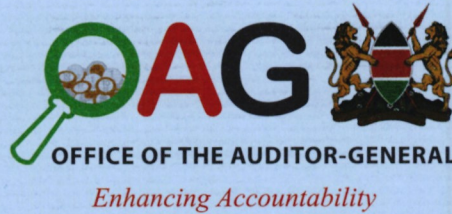
**Peter Korir
Managing Director**

Date 30/09/2021

Date 30/09/2021

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

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

statement of financial position as at 30 June, 2021, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

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

1.1 Fully Depreciated Motor Vehicles

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

1.2 Land without Title Deeds

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

1.3 Encroached Land

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

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

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

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

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 August, 2022

Nyayo Tea Zones Development Corporation
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**CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021.**

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

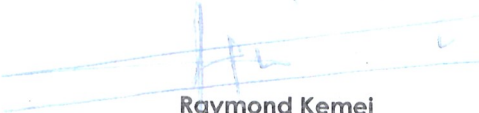
Nyayo Tea Zones Development Corporation
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

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

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


Peter Korir
Managing Director


Raymond Kemei
Director

Nyayo Tea Zones Development Corporation
Annual Reports and Financial Statements
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

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

Nyayo Tea Zones Development Corporation
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STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021.

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

Nyayo Tea Zones Development Corporation
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**KIPCHABO TEA FACTORY LIMITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

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

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

	Notes	2020/2021 Kshs	2019/2020 Kshs
Turnover	2 (a)	938,070,200	1,037,086,340
Cost of Production	2 (b)	<u>(763,428,548)</u>	<u>(884,240,533)</u>
Gross Profit		174,641,651	152,845,806
Administrative Expenses	2 (c)	(33,387,867)	(29,188,993)
Other Operating Expenses	2 (d)	(65,027,185)	(68,568,431)
Employment Expenses	2 (e)	<u>(82,494,215)</u>	<u>(74,880,137)</u>
Operating Profit Before finance Costs		(180,909,267)	(172,637,562)
		(6,267,616)	(19,791,756)
Finance Costs	2 (e)	-	-
Profit before Exceptional Item		(6,267,616)	(19,791,756)
Other income/(Exchange Loss)	2(g)	<u>1,149,959</u>	<u>1,281,704</u>
Net profit/(loss) for the year		(5,117,657)	(18,510,052)

Nyayo Tea Zones Development Corporation
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENED 30 JUNE 2021

2020/2021

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

2019/2020

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

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

Nyayo Tea Zones Development Corporation
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For the year ended June 30, 2021

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

Notes

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

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

**Nyayo Tea Zones Development Corporation
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NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Statement of compliance and basis of preparation

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

(b) Revenue Recognition

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

(i) Sales of goods are recognised when significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and when there is no continuing management involvement and the amount of revenue can be measured reliably.

(ii) Sales of services are recognised in the period in which the services are rendered by reference to the completion of specific transactions assessed on the basis of actual service provided as a proportion of total services to be provided. Sales revenue can only be recognised when the associated costs can be estimated reliably and the amount of revenue can be estimated reliably.

(c) Property Plant & Equipment

Property, plant and equipment are measured at cost or revalued amounts less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

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

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

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

(e) Bearer Plants

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

(f) Inventories

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

(g) Trade and other receivables

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

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(h) Trade Payables (Creditors) and Accruals

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

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

(i) Cash and Cash Equivalents

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

(j) Consolidation

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

(k) Financial risk management

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

(l) Related Party disclosures

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

(m) Biological Assets

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

(n) Contingent Liabilities

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

- i. Lawsuit Case No. 120 of 2018 Eldoret ELRC, Silvester K. Kaitany -Vs-Nyayo Tea Zones Development Corporation. An individual in Elgeyo Marakwet County one Silvester Kaitany has laid claim to the 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 dues amounting to ksh.500 million. The Corporation filed its defense and upon determination their case was dismissed by the High Court. The claimants filed an appeal in the Court of Appeal Case No. 79 Of 2018 at Nyeri which is ongoing. The Corporation management has no reason to believe that the disposition of this case will have a material adverse effect on the financial position of the Corporation.

(o) Details of Events after reporting Date

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

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

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

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

2 (b) Cost of Production

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

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NOTES TO THE FINANCIAL STATEMENTS

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

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

3. Administrative Expenses

(a) Employment expenses

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

(b) Other administration expenses

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

(c.) Directors' Expenses

Board Expenses	7,970,212	11,470,108
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NOTES TO THE FINANCIAL STATEMENTS

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

Operating Profit

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

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

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

7. Property Plant & Equipment

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

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

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

2020/2021	Land & Buildings Kshs	Work in Progress* Kshs	Factory Buildings Kshs	Factory Machinery Kshs	Furniture & Fixtures Kshs	Office Equipment Kshs	Computers & Assessories Kshs	Tractors & Trailers Kshs	Motor Vehicles Kshs	Farm Tools & Implements Kshs	Total Kshs
Cost											
1 July 2020	376,785,551	840,498,134	487,862,599	654,827,110	49,928,432	11,553,139	81,565,341	28,969,533	441,054,724	11,748,794	2,984,793,356
Motor Cycles b/f									3,344,000		3,344,000
Disposals									(7,682,504)		(10,942,412)
Additions		128,049,472			341,500	28,600	5,428,946			63,840	133,912,358
Reclassification											
30 Jun 2021	376,785,551	968,547,605	487,862,599	654,827,110	50,269,932	11,581,739	86,994,286	25,709,625	436,716,220	11,812,634	3,111,107,302
Depreciation											
1 July 2020	42,424,207	-	88,889,070	303,723,854	48,845,293	9,826,072	78,723,688	28,379,989	384,186,203	10,202,732	995,201,108
Charge for the year	7,137,323		9,757,252	43,546,003	666,979	1,582,677	4,021,971	380,611	25,836,540	800,301	93,729,657
Disposal								(3,165,500)	(7,682,504)		(10,848,004)
30 Jun 2021	49,561,530	-	98,646,322	347,269,857	49,512,272	11,408,749	82,745,659	25,595,100	402,340,239	11,003,033	1,078,082,761
Net Book Value											
30 Jun 2021	327,224,021	968,547,605	389,216,277	307,557,253	757,660	177,989	4,248,627	114,525	34,375,981	809,602	2,033,024,540
30 Jun 2020	334,361,344	840,498,134	398,973,529	351,103,256	1,083,139	1,727,066	2,841,652	589,544	60,212,520	1,546,062	1,992,936,246
* Work-in -Progress comprises buildings for which construction is ongoing. Once they are completed they will be reclassified under building:											
2019/2020											
Cost											
1 July 2019	376,785,551	689,720,295	462,165,125	578,156,411	49,395,653	11,553,139	79,674,406	28,969,533	420,193,724	11,748,794	2,708,362,630
Movement											
Disposals									20,861,000		276,430,726
Additions		250,581,357		2,564,655	532,779		1,890,935				
Reclassification		(99,803,518)	25,697,473	74,106,045							
30th Jun 2020	376,785,551	840,498,134	487,862,599	654,827,110	49,928,432	11,553,139	81,565,341	28,969,533	441,054,724	11,748,794	2,984,793,356
Depreciation											
1 July 2019	35,286,884	-	79,131,818	260,177,852	47,715,114	8,250,545	75,245,080	27,447,502	341,978,864	9,327,911	884,561,570
Charge for the year	7,137,323		9,757,252	43,546,003	1,130,179	1,575,527	3,478,608	932,487	38,863,340	874,821	107,295,539
Disposal											
30th Jun 2020	42,424,207	-	88,889,070	303,723,854	48,845,293	9,826,072	78,723,688	28,379,989	380,842,204	10,202,732	991,857,109
Net Book Value											
30th Jun 2020	334,361,344	840,498,134	398,973,529	351,103,256	1,083,139	1,727,066	2,841,652	589,544	60,212,520	1,546,062	1,992,936,246
30 Jun 2019	341,498,667	689,720,295	383,033,308	317,978,559	1,680,539	3,302,594	4,429,325	1,522,031	78,214,860	2,420,883	1,823,801,060

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NOTES TO THE FINANCIAL STATEMENTS

9. Long-term Investments

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

10. Inventories

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

Stocks are valued at lower of cost or net realizable.

11. Trade & Other Receivables

Trade Debtors

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

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

Prepayments

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

Imprests, Advances and Loans

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

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NOTES TO THE FINANCIAL STATEMENTS

	2020/2021	2019/2020
	Kshs	Kshs
12. Cash & Cash Equivalents		
Zone Accounts Cash balances	7,551,568	6,621,898
Savings Account	87,326	9,851,206
Current Account	9,570,634	20,368,390
Fixed Deposits	84,456,761	84,265,650
UBA Bank Account	3,084,814	5,730,113
Credit Bank Account	28,737	2,183,975
Current Account- Project	735	735
Cash in Hand	255,000	220,628
Kipchabo Factory Cash & Cash Equivalents	6,981,284	15,907,296
	112,016,859	145,149,892

13. General Fund

Accumulated Fund	1,569,068,970	1,427,068,970
ADF Grant	741,760,713	741,760,713
Reserves	2,962,765,588	2,888,254,268
Proposed Dividend	3,921,648	4,788,773
	5,277,516,919	5,061,872,724

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	184,943,426	268,786,870
UBA Bank Loan	12,131,857	71,379,245
Less due within the year	(136,144,042)	(139,132,102)
	60,931,241	201,034,012

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

15. Creditors

Trade Creditors	117,260,326	104,811,404
Other Creditors	23,223,502	19,214,333
Kipchabo Factory Creditors	86,709,376	125,566,675
	227,193,204	249,592,412

16. Accruals

Dividends Payable	60,002,592	55,213,819
Provision for Gratuity	4,404,877	2,019,841
Accruals	27,215,660	27,840,178
Kipchabo Factory Accruals	3,191,713	3,014,154
	94,814,842	88,087,991

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.

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Appendix I

SCHEDULE OF LONG-TERM INVESTMENTS

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

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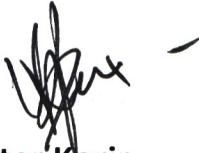
APPENDIX II: PROGRESS ON FOLLOW UP ON AUDITOR RECOMMENDATIONS AS AT 30TH JUNE 2021.

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

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

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

Managing Director

Date..... 30/09/2021