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OF

THE AUDITOR-GENERAL

ON

**NYAYO TEA ZONES DEVELOPMENT
CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2022**

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

31 MAR 2023

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NYAYO TEA ZONES DEVELOPMENT CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022**

Table of Contents	Page
I. Key Entity Information	iv
II. The Board of Directors.....	vi
III. Management Team	ix
IV. Chairman’s Statement	x
V. Report of the Managing Director	xi
VI. Statement of Performance Against Predetermined Objectives for FY 2021/2022.....	xiii
VII. Corporate Governance Statement	xiv
VIII. Management Discussion and Analysis	xv
IX. Environmental and Sustainability Reporting	xix
X. Report Of The Directors	xxi
XI. Statement of Directors’ Responsibilities	xxii
XII. Report of The Independent Auditors on Nyayo Tea Zones Development Corporation	xxiii
XIII. Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended 30 th June 2022.....	1
XIV. Consolidated Statement of Financial Position as at 30 June 2022.....	2
XV. Statement of Changes in Equity for The Year Ended 30 June 2022	7
XVI. Statement of Cash Flows for The Year Ended 30 June 2022	8
XVII. Statement of Comparison of Budget and Actual Amounts for the period ended 30 June 2022	9
XVIII. Notes to The Financial Statements	10
XIX. APPENDIX I Schedule of Investments	18
XX. APPENDIX II Progress on follow up on auditor recommendations as at 30th June 2022	19

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

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, left Feb 2022
Ms. Hellen Nangithia	– Chairperson	-Appointed in Jul 2022
Mr. Peter K. Korir -	- Managing Director	- Appointed to the board in 2012
Mr. Raymond Kemei	– Director	- Appointed in Oct 2015, Reappointed May 2022
Prof. Geoffrey N. Mang'uriu (Eng.)	– Director	- Appointed in Dec 2018, left Dec 2021
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

Legal Officer

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

Registered Office

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

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

Corporate Headquarters

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

Corporate Contacts

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

Corporate Bankers:

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

Independent Auditors

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

Principal Legal Advisers




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

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

II. THE BOARD OF DIRECTORS

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





Prof. Elizabeth Pantoren	– Chairperson	-Appointed in Apr 2016, left Feb 2022
Ms. Hellen Nangithia	– Chairperson	-Appointed in Jul 2022
Mr. Peter K. Korir -	- Managing Director	- Appointed to the board in 2012
Mr. Raymond Kemei	– Director	- Appointed in Oct 2015, Reappointed May 2022
Prof. Geoffrey N. Mang’uriu (Eng.)	– Director	- Appointed in Dec 2018, left Dec 2021
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

1	 Professor Elizabeth Panteron – Chairperson	<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	 Mr. 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>
3	 Mr. Raymond Kemei – Independent Member	<p>Mr. Kemei was appointed to the board in Oct 2015, reappointed in Dec 2018. He holds a MBA degree in strategic management and BA degree in economics. He also has a diploma in project management. He is currently a production manager with KTDA and has over 15-year experience in tea industry</p>

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

4	 <p>Mr Andrew Nyanchoga – Independent Member</p>	<p>Mr. Andrew Nyanchoga joined the NTZDC Board in Dec 2018. He holds MSc degree in Human Resource Management from Manchester University (UK) and a BA from the University of Nairobi.</p> <p>He has more than experience of more than 30 years in human resource development and practice gained while working in various government ministries where he rose to the position of Director of Human Resources and Development in the Ministry of Education, State Department of Basic Education. His interests and areas of expertise include human resources planning, recruitment and placement of staff, performance appraisal, pay and benefits, discipline, schemes of service and career progression and implementation. He is currently a consultant in the HR field.</p>
5	 <p>Prof. (Eng.) Geoffrey N. Mang'uriu – Independent Member</p>	<p>Prof. Mang'uriu was Appointed in Dec 2018. He is an Engineer by profession and a holder BSc, Msc and Phd in Civil Engineering. He is a lecturer at JKUAT Department of Civil, Construction and Environmental Engineering. His areas of specialization include Civil Engineering /Structural and Construction Engineering, Research; University Teaching and Consultancies; Projects Design, Supervision; Monitoring and Evaluation (private, corporates and public sectors). He has over 30 years experience in teaching, research and consultancy.</p>
6	 <p>Mr. Paul Kiagu – Alternate Ps national Treasury & Planning</p>	<p>Mr Kiagu is the Alternate to Principal Secretary National Treasury has been a member of the Board since 2017 and is an economist by profession and holds BA and MA degrees in Economics from Kenyatta University. He has over 30 years experience.</p>
7	 <p>Mr. 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>

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

8	 <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>
9	 <p>Ms Joyce Wambui Njogu- Independent Member</p>	<p>Ms. Joyce Njogu 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 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>
10	 <p>Ms Rukia A. Mohamed - Independent Member</p>	<p>Ms. Rukia Mohamed 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>
11	 <p>Mr Andrew Njenga Karumbo - Independent Member</p>	<p>Mr. Andrew Karumbo is an independent member and was appointed in May 2022. She 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, 2022

III. MANAGEMENT TEAM

1	 Peter K. Korir – Managing Director	<p>Mr. Peter Korir is 53 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 29 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, 2022**

IV. 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 2022.

The financial year 2021/22 presented mixed fortunes for the Corporation. On a positive note, our Vision 2030 flagship Project, Gatitu Tea Processing factory in Kirinyaga County was commissioned and commenced full operation. The factory is now processing tea from our zones in the catchment namely Kirinyaga, Mathira, Embu and Meru South.

The rain patterns were erratic and below normal in all our tea growing areas which negatively affected production. This coupled with the continuation of the effects of COVID 19 pandemic on our operations further constrained our fortunes. We however reacted robustly to the challenges in the operating environment and from the lessons learnt previously we able to navigate through.

The Corporation continued to focus on environmental conservation as its main goal and during the year we embarked on rehabilitation programs in the Mau forest Complex. Routine operational and rehabilitation works continued in 23.5km long buffer established in Kuresoi. It is worth noting that Some of the tea blocks are now under full green leaf production.

The Geopolitical developments globally brought about by the war in Ukraine has also affected the Corporation adversely affecting the cost of major inputs. The supply of fertilizer and fuel has been a challenge due to rising costs and uncertainty of deliveries. The onset of war in Ukraine has resulted into major challenges in tea industry affecting shipping, markets and affecting supply of basic commodities. Nevertheless, the Corporation will remain resilient by adapting to developments in the operating environment so that we continue to effectively discharge our mandate.

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 whom we could not have gone this far.



**Raymond Kemei
DIRECTOR**

Date.....27/03/2023.....

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022**

V. 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, 2022.

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 increased by 42% to an average of Ksh. 45.4 compared to Ksh. 32.0 in the previous year. Consolidated revenues increased by 21% to Ksh. 2,098 million compared to Ksh. 1,730 realised in the previous year, while revenues from sale of green leaf increased by 35% to Ksh. 1,355 million compared to Ksh. 1,006 million in the previous year. On the other hand, direct costs increased by 10% to Ksh. 1,089 million while indirect costs increased by 10% to Ksh. 760 million compared to the previous year. Overall, the Corporation recorded a consolidated pre-tax profit of Ksh. 272.5 million compared to a profit of Ksh. 78.4 million in the previous year.

Operations

Green leaf production declined by 5% to 29.85 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 22.7 million Kgs of green leaf which is a increase of 4% compared 21.9 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 increased by 4% to 5.0 million Kgs compared to 4.9 million Kgs in the previous year giving out-turn of 22% (2020/2021 - 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, 2022**

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 27/03/2023.....

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022**

**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY
2021/2022**

In the FY 2021/2022, Corporations projections and actuals are as stated here below.

	Projections	Actual	Variance
Green Leaf Production (Kgs)	42,172,686	29,850,469	(12,322,217)
	Current Year (2021/2022)	Prior year (2020/2021)	Variance
Green Leaf Production (Kgs)	29,850,469	31,493,972	(1,643,504)
Revenue (Ksh.)	1,341,519,212	993,971,728	347,547,484

For the Corporation's wholly owned subsidiary, Kipchabo Tea Factory Ltd projections and actuals in FY 2021/2022 are as stated here below.

	Projections	Actual	Variance
Green Leaf	27,030,000	22,714,827	(4,315,173)
Made Tea	6,216,900	5,078,214	(1,138,686)
Out turn	23%	22%	-1%
Revenue	1,437,385,925	1,082,653,627	(354,732,298)

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

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, 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 a summary of Board activity during the year;

NO	REQUIREMENT (S)	STATUS/COMMENTS
1.	Board meetings and attendance	The Corporation held at least four meetings in the financial year within a four month period. Full Board meeting dates held in period under review: 28 th July 2021, 27 th October 2021, 25 th January 2022 and 27 th April 2022. A Board Attendance Register is signed by all directors present during every Board meeting. Board attendance for 28 th July 2021 and 27 th October 2021 – all 9 directors attended the meeting. Board attendance for 25 th January 2022 and 27 th April 2022 – 6 directors attended the meeting following the expiry of term for 3 directors in November/December 2021.
2.	Succession plan	In line with the State Corporations Act and Mwongozo Code of Governance for State Corporations.
3.	Existence of a Board Charter	Board Charter in place and clearly defines the roles and functions of the Board. (Attached)
4.	Appointment and removal of directors	All appointments to the Board are approved by the Cabinet Secretary of the Parent Ministry save for the Chairperson of the Board whose appointment is by the President.
5.	Roles and functions of the Board	As indicated in the Board Charter. (attached)
6.	Induction and training	Induction programme/Pack for new Board members and skills development programme available.
7.	Board and member performance	Annual Board evaluation is done. Board evaluation exercise in the period under review was carried out on 1 st August 2022.
8.	Conflict of interest	Conflict of Interest Register available during every Board meeting.
9.	Board remuneration	This is done in accordance with the prevailing relevant legislations and guidance from the relevant authority.

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022**

VIII. 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 2021/2022, the Corporation was managing buffer belts with a total length of 925km broken down as follows:

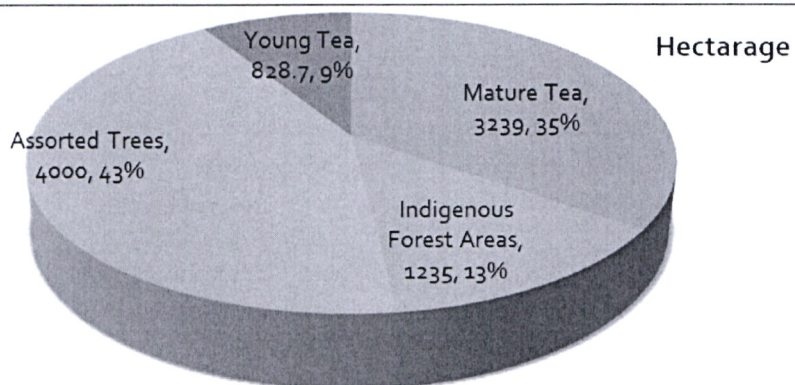
FOREST RESERVE	AREA (HA)	BUFFER AREA (HA)	% OF PROTECTED FOREST AREA	LENGTH (KM)
ABERDARE	149,822	1,093	0.73%	109.3
MT. KENYA	213,082	1,302	0.61%	130.2
NYAMBENE	5,391	113	2.09%	11.25
MAU COMPLEX	400,000	1,293	0.32%	129.3
MT. ELGON	127,000	1,021	0.80%	102.1
CHERANGANYI	947,291	495	0.05%	49.5
KAKAMEGA	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, 2022**



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, 2022

**TABLE I: DISTRIBUTION OF TEA AND FOREST AREAS AS AT END
 JUNE 2022 & 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	616	11.8
	Murang'a	133	82	215	
	Nyeri	187	80	267	
MT. KENYA & NYAMBENE	Mathira	121	140	261	14.7
	Kirinyaga	244.5	42	286.5	
	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	428	748	1176	
TOTAL		4,067.7	5,235.0	9,302.7	
PERCENTAGE		43.7	56.3	100.0	100.0

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

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

Agronomic Practices and Production

During the the year 2021/2022, production was below the set target in all the zones apart from Kuresoi South due delayed and inadequate rains. Unusual prolonged dry and hot weather conditions were experienced during the quarter. The delayed rains resulted in delayed bush recovery and delayed application of fertilizer by over a month.

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

During the year under review, split fertilizer application was done in all the zones. This was done in the months of May and June instead of the normal period between late March and April due to delayed rains and poor distribution.

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022**

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

1. BACKGROUND INFORMATION

Nyayo Tea Zones Development Corporation was established in 1986 as a State Corporation to protect and conserve the country's gazetted forests. The Corporation promotes forest conservation by providing buffer zones of tea and assorted tree species to check human encroachment into the forestland.

2. VISION

Transforming livelihoods to inspire sustainable forest conservation.

3. MISSION

Establish and maintain forest buffer belts and produce ecofriendly quality products to the satisfaction of all our stakeholders.

NTZDC CORPORATE SOCIAL RESPONSIBILITY

In addition to the conservation mandate, the Corporation implements Corporate Social Responsibility activities in the areas where it operates aimed at building sustainable corporate citizenship and address the welfare of the neighbouring communities in the zones and factory catchment areas who are crucial partners to the achievement of the environment conservation objective. The Corporation therefore implements a CSR Policy which has been aligned with the NTZDC 2020-2025 Strategic Plan with the following broad objectives:

- i. to improve and sustain relationships with key stakeholders including communities adjacent to the forests, consumers and the general public;
- ii. to engage communities in wider social and environmental gains as a sensitive corporate citizen; and
- iii. to increase awareness and involvement of the Corporation's conservation efforts among its stakeholders.

To achieve these objectives, the Corporation supports Corporate Social Responsibility projects that include contribution to education events such as prize-giving days and construction of facilities such as classrooms, improvement and maintenance of rural access roads, support to water and health projects and also contributions and donations to select humanitarian causes, among others.

NTZDC CSR REPORT – JULY 2021-JUNE 2022

ZONE/County	CSR Activity/Location	Amount (Kshs) & Date	Impact to community
Nandi County - Kipchabo Tea Factory catchment	NTZDC/Kipchabo Tea factory Bursary Scheme	280,000 July 2021 (continuous)	School fees support to 8 bright students – Access to secondary school education

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022**

Meru Central	Donation of 6 Water Tanks to Ammuka Self-help Group	470,000 August 2021	Water harvesting and storage – improved community access to clean water
Nandi County	Tree seedlings donation to National Environmental Complaints Committee	600,000 July, 2021	Reafforestation through tree planting and mitigation against climate change
Kipchabo Factory catchment	Donation of tea leaves for Chesumei Constituency Education Day event	2,000 November 2021	Donation to support to excellence in education
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	Donation of materials towards Kombe Dispensary Water project	Ksh. 256,940 Sept. 2021	Access to clean water and improved health for rural communities

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022**

X. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended June 30, June 2022, 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.

	2021/2022 (Ksh)	2020/2021 (Ksh)
Profit / (Loss) before tax	272,462,813	78,432,968
Net Profit/ (Loss) for the year	<u>272,462,813</u>	<u>78,432,968</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 27/03/2023

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022**

XI. 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, 2022. 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, 2022, 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 27/03/2023 and signed on its behalf by:


Raymond Kemei
Director


Peter Korir
Managing Director

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022**

XII. REPORT OF THE INDEPENDENT AUDITORS ON NYAYO TEA ZONES DEVELOPMENT CORPORATION

REPUBLIC OF KENYA



Enhancing Accountability

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2022

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, 2022, 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

Report of the Auditor-General on Nyayo Tea Zones Development Corporation for the year ended 30 June, 2022

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 the Nyayo Tea Zones Development Corporation as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with 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 reflects a balance of Kshs.2,112,522,244 in respect to property, plant and equipment and as disclosed in Note 8 to the financial statement. However, the following unsatisfactory matters were observed:

1.1. Irregular Procurement of Tractors and Motor Vehicles

The property, plant and equipment balance include additions during the year under review amounting to Kshs.171,166,735 which in turn includes an amount of Kshs.6,438,400 in respect to additions to tractors and trailers. The Corporation procured two (2) Agricultural tractors from a firm at unit price of Kshs.2,832,000 all totalling to Kshs.5,664,000 using Government contract No.SB/291/2017 dated 20 January, 2017. The contract had been entered between the State Department for Public Works and M/s Toyota Kenya Limited for a period of two (2) years effective from 20 January, 2017 which had expired during the procurement period. However, the Corporation disregarded a contract agreement No.SB/31/0389/19-20 dated 2 May, 2019 between M/s CMC Motors Group Limited and State Department of Public Works for supply of agricultural tractors which was applicable at the time of procurement.

1.2. Land Without Title Deeds

Further, and as previously reported, included in the property, plant and equipment balance is Kshs.323,455,455 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 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.

1.3. Encroached Land

As reported in the previous year, the land and buildings net book value of Kshs.323,455,455 further 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 had 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 claimed this land and it was allocated to him by the Government in 1999. Review of records revealed that the National Land Commission valued the parcel 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. In addition, the 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.2,112,522,244 as at 30 June, 2022 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.

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. Fully Depreciated Motor Vehicles

The consolidated statement of financial position reflects a balance of Kshs.2,112,522,244 in respect to property, plant and equipment and as disclosed in Note 8 to the financial

statements. However, as previously reported, the property, plant and equipment schedule provided indicated that sixty-one (61) serviceable motor vehicles had been fully depreciated and had not been revalued as at 30 June, 2022. 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.

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

2. Non-Compliance with the One-Third of Basic Salary Rule

Review of the payroll for the year ended 30 June, 2022 revealed that various officers earned net salaries which were below one-third ($\frac{1}{3}$) of their basic salaries contrary to Section 19(3) of the Employment Act, 2007 and Section C.1 (3) of the Public Service Commission (PSC) Human Resource Policies and Procedures Manual, 2016 as detailed below:

Month	Number of Employees
July, 2021	61
August, 2021	150
September, 2021	170
October, 2021	160
November, 2021	166
December, 2021	169
January, 2022	177
February, 2022	161
March, 2022	163
April, 2022	67
May, 2022	70
June, 2022	65

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

3. Long Outstanding Imprests

The consolidated statement of financial position reflects Kshs.657,956,469 in respect to trade and other receivables and as disclosed in Note 11 to the financial statements. The balance includes Kipchabo factory debtors amounting to 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 factory temporary and NTZDC (temporary and standing) imprests amounting to Kshs.3,599,661 and Kshs.5,871,306 respectively, paid in 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 long outstanding imprests totalling Kshs.9,470,967 as at 30 June, 2022 was doubtful.

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 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 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 controls 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 controls.
- 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 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 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 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

12 May, 2023

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

**XIII. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022.**

	Notes	2021/2022 Kshs	2020/2021 Kshs
Revenue	2 (a)	2,098,056,241	1,730,476,675
Cost of Sales	2 (b)	(1,089,616,582)	(989,002,235)
Gross Profit		1,008,439,659	741,474,441
Employment Expenses	3 (a)	(462,624,046)	(416,878,301)
Other Administration Expenses	3 (b)	(75,008,840)	(62,755,286)
Board Expenses	3 (c)	(9,723,883)	(7,970,212)
Other Operating Expenses	4	(195,982,235)	(182,514,558)
		(743,339,004)	(670,118,357)
Operating Profit Before finance Costs		265,100,655	71,356,084
Finance Costs	5	(16,556,556)	(20,040,305)
Profit before Exceptional Item		248,544,098	51,315,779
Other income	2(c)	23,918,715	27,117,189
Net profit/(loss) for theyear		272,462,813	78,432,968
Proposed Dividends		13,623,141	3,921,648


Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

XIV. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2021/2022 Kshs	2020/2021 Kshs
ASSETS			
Non-Current Assets			
Biological Assets	6	838,230,042	827,348,918
Bearer Plants	7	2,139,949,653	1,994,094,808
Property, Plant & Equipments	8	2,112,522,244	2,033,024,540
Long Term Investments	9	70,965,897	69,844,479
Total Non-Current Assets		5,161,667,837	4,924,312,744
Current Assets			
Inventories	10	188,619,082	155,633,853
Trade & Other Receivables	11	657,956,469	604,636,792
Cash & Cash Equivalents	12	87,273,051	112,016,859
Total Current Assets		933,848,603	872,287,503
Total Assets		6,095,516,440	5,796,600,248
EQUITY AND LIABILITIES			
General Fund			
Accumulated Fund/Shareholding	13	1,619,068,970	1,569,068,970
Donor Grants	13	741,760,713	741,760,713
Reserves	13	3,221,605,260	2,962,765,588
Proposed Dividend		13,623,141	3,921,648
		5,596,058,084	5,277,516,919
Long Term Loans			
Commercial Bank Loans	14	79,035,203	60,931,241
		79,035,203	60,931,241
Current Liabilities			
Long Term Loan due within the year	14	131,975,315	136,144,042
Trade Creditors	15	160,869,128	227,193,204
Accruals	16	127,578,711	94,814,842
		420,423,153	458,152,087
Total Equity and Liabilities		6,095,516,440	5,796,600,248

The financial statements were approved by the Board of Directors on 27/03/2023 and were signed on its behalf by:-


Peter Korir
Managing Director


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


Raymond Kemei
Director

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022.**

	Notes	2021/2022 Kshs	2020/2021 Kshs
Turnover	2 (a)	1,354,578,360	1,006,126,645
Cost of Production	2 (b)	<u>(525,436,467)</u>	<u>(439,293,855)</u>
Gross Profit		829,141,894	566,832,789
Employment Expenses	3 (a)	(377,001,647)	(334,384,086)
Other Administrative Expenses	3 (b)	(48,432,826)	(29,367,419)
Board Expenses	3 (c)	(9,723,883)	(7,970,212)
Other Operating Expenses	4	<u>(129,207,346)</u>	<u>(117,487,373)</u>
		(564,365,702)	(489,209,090)
Operating Profit Before finance Costs		264,776,192	77,623,699
Finance Costs	5	<u>(16,556,556)</u>	<u>(20,040,305)</u>
Profit before Exceptional Item		248,219,635	57,583,395
Other income	2(c)	<u>22,723,598</u>	<u>25,967,231</u>
Net profit/(loss) for theyear		270,943,234	83,550,625

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2021/2022	2020/2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Biological Assets	6	838,230,042	827,348,918
Bearer	7	2,139,949,653	1,994,094,808
Property, Plant & Equipment	8	1,434,620,202	1,315,615,092
Long Term Investments	9	880,237,415	879,115,997
		5,293,037,313	5,016,174,815
Current Assets			
Stocks	10	32,938,851	31,962,910
Debtors & Prepayments	11	616,586,978	552,167,042
Cash & Cash Equivalents	12	79,724,873	105,035,574
		729,250,702	689,165,526
Total Assets		6,022,288,014	5,705,340,341
GENERAL FUND & LIABILITIES			
General Fund			
Accumulated Fund	13	1,619,068,970	1,569,068,970
Donor Grants	13	741,760,713	741,760,713
Reserves	13	3,200,939,546	2,933,917,961
		5,561,769,229	5,244,747,644
Long Term Loans			
Commercial Bank Loans	14	79,035,203	60,931,241
		79,035,203	60,931,241
Current Liabilities			
Long Term Loan due within the year	14	131,975,315	136,144,042
Trade Creditors	15	129,210,638	171,894,285
Accruals	16	120,297,629	91,623,129
		381,483,582	399,661,456
General Fund and Liabilities		6,022,288,014	5,705,340,341

Nyayo Tea Zones Development Corporation
 Annual Report and Financial Statements
 For the year ended June 30, 2022

**KIPCHABO TEA FACTORY LIMITED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022.**

	2021/2022 Kshs	2020/2021 Kshs
Turnover	1,082,653,627	938,070,200
Cost of Production	<u>(903,355,861)</u>	<u>(763,428,548)</u>
Gross Profit	179,297,765	174,641,651
Administrative Expenses	(26,576,014)	(33,387,867)
Other Operating Expenses	(66,774,889)	(65,027,185)
Employment Expenses	<u>(85,622,399)</u>	<u>(82,494,215)</u>
Operating Profit Before finance Costs	324,463	(6,267,616)
Finance Costs	-	-
Profit before Exceptional Item	324,463	(6,267,616)
Other income/(Exchange Loss)	<u>1,195,116</u>	<u>1,149,959</u>
Net profit/(loss) for the year	1,519,579	(5,117,657)

Nyayo Tea Zones Development Corporation

Annual Report and Financial Statements

For the year ended June 30, 2022

KIPCHABO TEA FACTORY LIMITED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	2021/2022	2020/2021
	Ksh.	Ksh.
<u>FIXED ASSETS</u>		
Property, Plant & Equipment	677,902,042	717,409,447
<u>CURRENT ASSETS</u>		
Inventories	155,680,232	123,670,943
Trade Receivables	272,760,930	408,358,888
Cash & Bank Balances	7,548,178	6,981,284
TOTAL CURRENT ASSETS	435,989,340	539,011,116
<u>CURRENT LIABILITIES</u>		
Trade & Other Payables	270,331,010	414,379,769
TOTAL CURRENT LIABILITIES	270,331,010	414,379,769
NET CURRENT ASSETS	165,658,330	124,631,346
TOTAL NET ASSETS	843,560,373	842,040,793
<u>FINANCED BY</u>		
Ordinary Shares	100,000	100,000
Share Premium	809,171,518	809,171,518
Accumulated Profit	34,288,855	32,769,276
TOTAL CAPITAL	843,560,373	842,040,794

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENED 30 JUNE 2022

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

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

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

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/2022 Kshs	2020/2021 Kshs
Cashflow from Operating Activities			
Operating Profit (Loss)		272,462,813	78,432,968
Dividend income	2 (c)	(10,405,514)	(13,109,585)
Exchange loss	2 (c)	484,859	377,908
Depreciation of Fixed Assets	8	91,696,030	93,729,657
Amortization	7	72,619,411	59,650,419
Interest Income	2 (c)	(8,610,593)	(10,773,076)
Interest paid	5	16,071,697	19,662,397
Gain on disposal of fixed assets	2 (c)	(3,416,000)	(2,003,000)
Profit Before Working Capital Changes		434,318,704	227,970,689
(Decrease) / Increase in Debtors & Prepayments	11	(53,319,677)	14,547,006
Increase / (Decrease) in Creditors & Accruals	15	(37,728,934)	(18,660,418)
Increase in Stock	10	(975,941)	15,821,910
Increase in Stock - Kipchabo	10	(32,009,289)	43,652,108
Net Changes in working Capital		(124,033,841)	55,360,606
Net Cash Generated from Operating Activities		310,284,863	283,331,295
Cashflows used in Investing Activities			
Dividends received	2 (c)	10,405,514	13,109,585
Long-Term Investment in K.T.D.A Factories	9	(1,121,418)	(1,357,265)
Bearer plants costs	7	(218,474,257)	(165,251,959)
Purchase of Fixed Assets	8	(171,166,735)	(133,912,358)
Direct acquisition of biological assets	6	(10,881,124)	(16,987,966)
Interest Income	2 (c)	8,610,593	10,773,076
Proceeds from disposal of fixed assets	2 (c)	3,416,000	2,003,000
Net Cash (Used) in Investing Activities		(382,627,427)	(293,626,887)
Cashflows (Used) in Financing Activities			
GOK Contribution		142,000,000	50,000,000
Commercial Bank Loans Disbursement	14	113,993,982	78,359,792
Commercial Bank Loans Loan Repayment	14	(192,130,160)	(131,156,928)
Interest Paid	5	(16,071,697)	(19,662,397)
Net Cash from/(Used) in Financing Activities		47,792,124	(22,459,533)
Net Increase in Cash and Cash Equivalents		(24,550,440)	(32,755,125)
Movement in Cash and Cash Equivalents			
At 1 July 2021	12	112,016,859	145,149,892
Effect of exchange gain /(loss) on cash & cash equivalent	2 (c) & 5	(193,368)	(377,908)
Increase/(Decrease) in the year		(24,550,440)	(32,755,125)
At 30 Jun 2022	12	87,273,051	112,016,859

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenues						
Factory Sales	1,437,385,925	-	1,437,385,925	1,082,653,627	(354,732,299)	75%
Green Leaf Sales	1,449,792,077	-	1,449,792,077	1,341,519,212	(108,272,864)	93%
Transport refund	16,599,756	-	16,599,756	9,622,258	(6,977,498)	58%
Interest Income	22,948,905	-	22,948,905	8,610,593	(14,338,311)	38%
Dividends from KTDA factories	1,750,129	-	1,750,129	10,405,514	8,655,385	595%
Miscellaneous Income	2,000,000	-	2,000,000	4,611,116	2,611,116	231%
Total Income	2,930,476,792	-	2,930,476,792	2,457,422,320	(473,054,472)	84%
Expenses						
Plantation Labour	452,199,906	-	452,199,906	339,480,628	(112,719,278)	75%
Farm Inputs	136,355,026	-	136,355,026	114,851,518	(21,503,508)	84%
Transport	70,620,477	-	70,620,477	70,109,135	(511,343)	99%
KTDA Charges	14,497,921	-	14,497,921	995,186	(13,502,735)	7%
Factory Cost of Sales	922,837,367	-	922,837,367	903,355,861	(19,481,505)	98%
Employment expenses	514,124,823	-	514,124,823	462,624,046	(51,500,777)	90%
Advertising Marketing & Publicity	22,300,000	-	22,300,000	3,281,945	(19,018,055)	15%
Directors' Expenses	21,864,300	-	21,864,300	9,723,883	(12,140,417)	44%
Donations	505,000	-	505,000	502,000	(3,000)	99%
Audit fees	3,000,000	-	3,000,000	1,636,070	(1,363,930)	55%
Printing & Stationery	10,747,730	-	10,747,730	4,127,957	(6,619,773)	38%
Telephone & Postage	8,385,988	-	8,385,988	7,626,826	(759,162)	91%
Publications & Periodicals	1,200,000	-	1,200,000	869,026	(330,974)	72%
General Office Expenses	4,368,201	-	4,368,201	2,585,720	(1,782,481)	59%
Transport Operating	15,294,820	-	15,294,820	7,789,904	(7,504,916)	51%
Legal & Professional	13,690,000	-	13,690,000	16,530,632	(2,840,632)	121%
Cleaning	1,772,000	-	1,772,000	1,028,530	(743,470)	58%
Bank charges	3,076,000	-	3,076,000	2,456,881	(619,119)	80%
Kipchabo Admin Exps	56,664,540	-	56,664,540	26,576,014	(30,088,525)	47%
Rent & Rates	3,700,000	-	3,700,000	3,597,913	(102,087)	97%
Light & Water	2,683,431	-	2,683,431	1,461,131	(1,222,300)	54%
Repairs & Maintenance	10,270,344	-	10,270,344	7,597,231	(2,673,113)	74%
Licences	8,590,000	-	8,590,000	5,643,930	(2,946,070)	66%
Insurance	15,555,107	-	15,555,107	5,349,399	(10,205,708)	34%
Security	5,228,184	-	5,228,184	3,904,999	(1,323,185)	75%
Depreciation	33,270,383	-	33,270,383	29,033,332	(4,237,051)	87%
Amortization	73,024,201	-	73,024,201	72,619,411	(404,789)	99%
Kipchabo Operating Expenses	90,131,198	-	90,131,198	66,774,889	(23,356,309)	74%
Finance Costs	35,450,000	-	35,450,000	16,556,556	(18,893,444)	47%
Total Expenditure	2,551,406,947	-	2,551,406,947	2,188,690,555	(362,716,392)	86%
Surplus for the period	379,069,845	-	379,069,845	268,731,766	(110,338,080)	71%

Notes

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

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

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022**

XVIII. 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 (**NTZDC**). 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	20%
Factory Machinery	6.65%	Furniture & Fixtures	12.5%
Office Equipment	20%	Computers	33.3%
Motor Vehicles	20%	Farm Tools	33.3%

(e) Bearer Plants

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

(f) Inventories

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

(g) Trade and other receivables

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

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

(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 2022 have been consolidated with those of the subsidiary company (Kipchabo Tea Factory Ltd) which is wholly owned by the Corporation.

(k) Financial risk management

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

(l) Related Party disclosures

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

(m) Biological Assets

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

(n) Contingent Liabilities

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

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

(o) Details of Events after reporting Date

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 (a) Revenue	NTZDC	NTZDC	Consolidated	2020/2021 Kshs
	2021/2022 Kshs	2020/2021 Kshs	2021/2022 Kshs	
Green Leaf Sales	1,341,519,212	993,971,728	1,341,519,212	993,971,728
Less Intercompany (Kipchabo Factory)	-	-	(339,175,746)	(213,720,169)
Sale of Finished Tea	-	-	1,082,653,627	938,070,200
Transport refund	9,622,258	12,154,916	9,622,258	12,154,916
Fuelwood sales	3,436,890	-	3,436,890	-
	1,354,578,360	1,006,126,645	2,098,056,241	1,730,476,675

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	2020/2021 Kshs
	2021/2022 Kshs	2020/2021 Kshs	2021/2022 Kshs	
Plantation Labour	339,480,628	341,097,328	339,480,628	341,097,328
Farm Inputs	114,851,518	38,228,897	114,851,518	38,228,897
Transport	70,109,135	58,761,976	70,109,135	58,761,976
KTDA Charges	995,186	1,205,655	995,186	1,205,655
Kipchabo Tea factory cost of Production	-	-	903,355,861	763,428,548
Less Intercompany (Kipchabo Factory)	-	-	(339,175,746)	(213,720,169)
	525,436,467	439,293,855	1,089,616,582	989,002,235

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS

	NTZDC 2021/2022 Kshs	NTZDC 2020/2021 Kshs	Consolidated 2021/2022 Kshs	2020/2021 Kshs
2 (c) Other Income				
Exchange gain	291,491.36	-	291,491.36	-
Interest Income	8,610,593	10,773,076	8,610,593	10,773,076
Dividends from KTDA factories	10,405,514	13,109,585	10,405,514	13,109,585
Miscellaneous Income	3,416,000	2,084,570	3,416,000	2,084,570
Kipchabo Tea Factory Ltd Other Income/(Loss)	-	-	1,195,116	1,149,959
	22,723,598	25,967,231	23,918,715	27,117,189

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	186,794,704	171,632,947	186,794,704	171,632,947
House Allowance	35,550,500	35,306,300	35,550,500	35,306,300
Leave Allowance	6,010,593	4,894,267	6,010,593	4,894,267
Commuter & Other allowances	45,405,610	42,087,793	45,405,610	42,087,793
Medical Allowance	30,014,648	29,875,467	30,014,648	29,875,467
Staff Welfare	4,407,444	7,557,553	4,407,444	7,557,553
Social Security Expenses	38,882,872	17,956,613	38,882,872	17,956,613
Staff Uniforms	-	122,567	-	122,567
Staff Training	2,175,295	2,113,631	2,175,295	2,113,631
Travelling & Subsistence	27,759,980	22,836,948	27,759,980	22,836,948
Kipchabo Tea Factory Employment Expenses	-	-	85,622,399	82,494,215
	377,001,647	334,384,086	462,624,046	416,878,301

(b) Other administration expenses

Advertising Marketing & Publicity	3,281,945	204,873	3,281,945	204,873
Donations	502,000	150,400	502,000	150,400
Audit fees	1,636,070	1,500,000	1,636,070	1,500,000
Printing & Stationery	4,127,957	3,423,463	4,127,957	3,423,463
Telephone & Postage	7,626,826	6,972,258	7,626,826	6,972,258
Publications & Periodicals	869,026	1,014,138	869,026	1,014,138
General Office Expenses	2,585,720	243,221	2,585,720	243,221
Transport Operating	7,789,904	6,529,108	7,789,904	6,529,108
Legal & Professional	16,530,632	5,964,728	16,530,632	5,964,728
Cleaning	1,028,530	880,187	1,028,530	880,187
Bank charges	2,456,881	2,485,042	2,456,881	2,485,042
Kipchabo Tea Factory Administration Expenses	-	-	26,576,014	33,387,867
	48,432,826	29,367,419	75,008,840	62,755,286

(c.) Directors' Expenses

Board Expenses	9,723,883	7,970,212	9,723,883	7,970,212
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Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS

	NTZDC 2021/2022 Kshs	NTZDC 2020/2021	Consolidated 2021/2022 Kshs	2020/2021 Kshs
4. Other operating expenses				
Establishment:				
Rent & Rates	3,597,913	3,152,235	3,597,913	3,152,235
Light & Water	1,461,131	877,505	1,461,131	877,505
Repairs & Maintenance	7,597,231	7,087,569	7,597,231	7,087,569
Licences	5,643,930	6,211,501	5,643,930	6,211,501
Insurance	5,349,399	6,633,022	5,349,399	6,633,022
Security	3,904,999	2,291,938	3,904,999	2,291,938
Depreciation	29,033,332	31,583,185	29,033,332	31,583,185
Amortization	72,619,411	59,650,419	72,619,411	59,650,419
Kipchabo Factory Ltd Other operating expenses	-	-	66,774,889	65,027,185
Total Expenses	129,207,346	117,487,373	195,982,235	182,514,558
5. Finance Cost				
Exchange Gain/ (Loss)	484,859	377,908	484,859	377,908
Interest on Commercial Bank Loans	16,071,697	19,662,397	16,071,697	19,662,397
	16,556,556	20,040,305	16,556,556	20,040,305

Operating Profit

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

Depreciation	29,033,332	31,583,185	29,033,332	31,583,185
Amortization	72,619,411	59,650,419	72,619,411	59,650,419
Auditor's Remuneration	1,636,070	1,500,000	1,636,070	1,500,000
Kipchabo Factory Ltd Depreciation			62,662,698	62,146,472

6. Biological Assets - NTZDC

	Consolidated 2021/2022 Forest Kshs	2020/2021 Forest Kshs
Balance as at 1st July 2021	827,348,918	810,360,952
Changes in value	10,881,124	16,987,966
30th Jun 2022	838,230,042	827,348,918

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 2021	1,193,008,389	1,136,907,904	2,329,916,294
Additions	-	218,474,257	218,474,257
Transfer-WIP(Young Tea) to mature tea	259,379,836	(259,379,836)	-
30 Jun 2022	1,452,388,225	1,096,002,325	2,548,390,550

Depreciation

Balance as at 1st July 2021	335,821,486	-	335,821,486
Charge for the year	72,619,411	-	72,619,411
30 Jun 2022	408,440,897	-	408,440,897
30 Jun 2022	1,043,947,328	1,096,002,325	2,139,949,653
30th June 2021	857,186,904	1,136,907,904	1,994,094,808

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, 2022

NOTES TO THE FINANCIAL STATEMENTS

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

<u>2021/2022</u>	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 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
Disposals	-	-	-	-	-	-	(38,860)	(49,500)	(16,712,774)	-	(16,801,135)
Additions	-	117,593,924	-	4,700,000	587,000	14,495	4,298,285	6,438,400	35,063,276	2,471,355	171,166,735
Reclassification											
30 Jun 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
Depreciation											
1 July 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
Charge for the year	3,768,566	-	9,757,252	43,858,553	434,208	162,313	3,872,471	1,392,146	27,147,795	1,302,726	91,696,030
Disposal	-	-	-	-	-	-	(38,859)	(49,500)	(16,739,775)	-	(16,828,134)
30 Jun 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
Net Book Value											
30 Jun 2022	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
30 Jun 2021	327,224,021	968,547,605	389,216,277	307,557,253	757,660	172,989	4,248,627	114,525	34,375,981	809,602	2,033,024,540

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

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

<u>2021/2022</u>	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 2021	368,740,869	966,927,785	-	-	46,076,583	9,533,697	68,851,255	25,709,625	334,556,970	11,812,634	1,832,209,419
Disposals	-	-	-	-	-	-	(38,860)	(49,500)	(16,712,774)	-	(16,801,135)
Additions	-	117,593,924	-	-	587,000	14,495	3,470,268	6,438,400	17,436,000	2,471,355	148,011,442
Reclassification											
30 Jun 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
Depreciation											
1 July 2021	49,561,530	-	-	-	45,540,599	9,498,247	67,976,827	25,595,100	307,418,989	11,003,033	516,594,325
Charge for the year	3,768,566	-	-	-	378,789	24,774	1,785,491	1,392,146	20,380,840	1,302,726	29,033,332
Disposal	-	-	-	-	-	-	(38,859)	(49,500)	(16,739,775)	-	(16,828,134)
30 Jun 2022	53,330,096	-	-	-	45,919,388	9,523,021	69,723,459	26,937,746	311,060,055	12,305,759	528,799,524
Net Book Value											
30 Jun 2022	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
30 Jun 2021	319,179,339	966,927,785	-	-	535,984	35,449	874,428	114,525	27,137,981	809,602	1,315,615,095

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

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	2020/2021	2021/2022	2020/2021
	Kshs		Kshs	Kshs
Farm Inputs & Nursery Materials	32,938,851	31,962,910	32,938,851	31,962,910
Kipchabo Tea Factory Inventories	-	-	155,680,232	123,670,943
	32,938,851	31,962,910	188,619,082	155,633,853

Stocks are valued at lower of cost or net realizable.

11. Trade & Other Receivables	NTZDC	NTZDC	Consolidated	
	2021/2022	2021/2022	2021/2022	2020/2021
Trade Debtors	Kshs	Kshs	Kshs	Kshs
KTDA- Green leaf debtors	536,533,480	387,547,875	536,533,480	387,547,875
KTDA- Transport refund	9,145,238	11,099,173	9,145,238	11,099,173
Emrok Tea Factory	1,385,500	1,385,500	1,385,500	1,385,500
Sisibo tea factory	16,706,364	16,177,792	16,706,364	16,177,792
Kuresoi Tea and Tumoi	5,128,936	-	5,128,936	-
Chepkumia Tea Factory	161,007	161,007	161,007	161,007
Elgon Tea & Coffee	5,622,944	1,840,781	5,622,944	1,840,781
Mau Funds Due from National Treasury/Parent Ministry	-	92,000,000	-	92,000,000
Accrued Interest	1,096,300	348,702	1,096,300	348,702
Kipchabo Factory Debtors	-	-	41,369,492	52,469,750
	575,779,768	510,560,829	617,149,260	563,030,579

The Trade Debtors figure for NTZDC 2020/2021 has been restated from Ksh. 520,756,584 to Ksh 510,560,829

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

Prepayments

Other Deposits	31,057,904	31,379,381	31,057,904	31,379,381
	31,057,904	31,379,381	31,057,904	31,379,381
Imprests, Advances and Loans				
Temporary Imprest	4,363,527	7,291,190	4,363,527	7,291,190
Provision Doubtful debts	(3,300,782)	(3,300,782)	(3,300,782)	(3,300,782)
Standing Imprests	1,507,779	1,460,849	1,507,779	1,460,849
Insurance claims	1,318,919	1,318,919	1,318,919	1,318,919
Staff loans	5,859,863	3,456,655	5,859,863	3,456,655
	9,749,305	10,226,831	9,749,305	10,226,831
	616,586,978	552,167,042	657,956,469	604,636,792

The Trade Debtors figure for NTZDC 2020/2021 has been restated from Ksh. 520,756,584 to Ksh 552,167,042 due to include intercompany debtors which had erroneously been omitted.

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS

	NTZDC 2021/2022 Kshs	NTZDC 2020/2021	Consolidated 2021/2022 Kshs	2020/2021 Kshs
12. Cash & Cash Equivalents				
Zone Accounts Cash balances	7,746,773	7,551,568	7,746,773	7,551,568
Savings Account	1,960,662	87,326	1,960,662	87,326
Current Account	3,806,349	9,570,634	3,806,349	9,570,634
Fixed Deposits	65,789,312	84,456,761	65,789,312	84,456,761
UBA Bank Account	-	3,084,814	-	3,084,814
Credit Bank Account	166,042	28,737	166,042	28,737
Current Account- Project	735	735	735	735
Cash in Hand	255,000	255,000	255,000	255,000
Kipchabo Factory Cash & Cash Equivalents	-	-	7,548,178	6,981,284
	79,724,873	105,035,574	87,273,051	112,016,859

13. General Fund

Accumulated Fund	1,619,068,970	1,569,068,970	1,619,068,970	1,569,068,970
ADF Grant	741,760,713	741,760,713	741,760,713	741,760,713
Reserves	3,187,316,406	2,929,996,313	3,221,605,260	2,962,765,588
Proposed Dividend	13,623,141	3,921,648	13,623,141	3,921,648
	5,561,769,229	5,244,747,644	5,596,058,084	5,277,516,919

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	150,789,535	184,943,426	150,789,535	184,943,426
UBA Bank Loan	60,220,983	12,131,857	60,220,983	12,131,857
Less due within the year	(131,975,315)	(136,144,042)	(131,975,315)	(136,144,042)
	79,035,203	60,931,241	79,035,203	60,931,241

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

15. Creditors

Kipchabo Factory Creditors - Intercompany	28,372,708	31,410,457	-	-
Trade Creditors	68,056,169	117,260,326	68,056,169	117,260,326
Other Creditors	32,781,761	23,223,502	32,781,761	23,223,502
Kipchabo Factory Creditors	-	-	60,031,198	86,709,376
	129,210,638	171,894,285	160,869,128	227,193,204

The Trade Creditors figure for NTZDC 2020/2021 has been restated from Ksh. 200,486,420 to Ksh 171,884,285 to correct the variance with intercompany creditors.

16. Accruals

Dividends Payable	63,924,241	60,002,592	63,924,241	60,002,592
Provision for Gratuity	25,749,849	4,404,877	25,749,849	4,404,877
Accruals	30,623,540	27,215,660	30,623,540	27,215,660
Kipchabo Factory Accruals	-	-	7,281,081	3,191,713
	120,297,630	91,623,129	127,578,711	94,814,842

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, 2022

XIX. APPENDIX I

SCHEDULE OF LONG-TERM INVESTMENTS

TEA FACTORIES	2021/2022 Kshs	Additions	2020/2021 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	6,613,485	1,121,418	5,492,066
Mundete	587,663		587,663
Mungania	982,320		982,320
Mununga	76,670		76,670
Ndimba	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	70,965,897	1,121,418	69,844,479

Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the Year Ended 30th Jun 2022

XX. APPENDIX II: PROGRESS ON FOLLOW UP ON AUDITOR RECOMMENDATIONS AS AT 30TH JUNE 2022.

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 Fully Depreciated Motor Vehicles	Sixty one (61) Motor Vehicles were fully depreciated and had NIL net book value.	The professional valuation process for our motor vehicles is underway and was not complete by 30 th June 2022. We expect the valuation to be completed in the current financial year	Mr. Jackson Mugereki, Transport Manager	Not resolved by the date of submitting this report to the Auditor General	By end of June 2023
1.2 Land without title deeds	Value of Ksh. 327.22 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.
1.3 Encroached land	Value of Ksh. 327.22 million disclosed under PPE Bearer Plants excludes land measuring 66 which was illegally excised. In addition a third party has made a claim on the land	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	Mr. Peter Korir, Managing Director	Not resolved by the date of submitting this report to the Auditor General	Corporation is waiting for determination by court of appeal as well as communication from EACC on the way forward.

**Nyayo Tea Zones Development Corporation
Annual Report and Financial Statements
For the Year Ended 30th Jun 2022**

	measuring 17.34 ha claiming it was allocated to him.	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.			
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Peter Korir

Managing Director

Date 27/03/2023.....