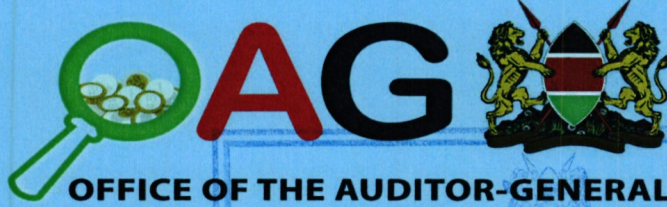


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 09 JUN 2021

DAY:

TABLED

BY
REPORT

CLERK-AT
THE-TABLE:

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

KIPCHABO TEA FACTORY

FOR THE YEAR ENDED


30 JUNE, 2020

KIPCHABO TEA FACTORY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2020

(Prepared in accordance with International Financial Reporting Standards)

 THE NATIONAL ASSEMBLY PAPERS LAID			
DATE:	09 JUN 2021		
	<table border="1"><tr><td>DAY:</td><td>wednesday</td></tr></table>	DAY:	wednesday
DAY:	wednesday		
TABLED BY:	Leader of Majority Party (Hon. Ahmed Ameyi)		
CLERK OF THE TABLE:	Hafsum Ahmed		

CONTENTS

PAGE





Board of Directors	iii
Senior Management	iii
Chairman's Statement	iv
Managing Director's Statement	v
Corporate Information	vi
Report of the Directors	vii
Statement of Corporate Governance	viii
Statement of Corporate Social Responsibility	ix
Statement of Directors Responsibilities	x
Report of the Auditor General	
Financial Statements:	
Statement of Profit & Loss & Other Comprehensive Income	1
Statement of Financial position	2
Statement of Changes in Equity (General Fund)	3
Statement of Cash flow	4
Statement of Comparison between Budget & Actuals	5
Notes to the Financial Statements	6 – 9
Progress on follow up on Audit Recommendations	10

BOARD OF DIRECTORS

Prof. Elizabeth Pantoren – Chairperson – appointed May 2019

Mr. Peter K. Korir – Director – appointed to the Board in 2012

SENIOR MANAGEMENT TEAM

1	 <p>Peter K. Korir – Managing Director</p>	<p>Mr. Peter Korir is 51 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>
	 <p>Samuel Njire – Head of Finance</p>	<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 28 years' experience in finance in both public and private institutions</p>
3	 <p>Charles Mucheke – Head of Operations</p>	<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 27 years' experience in the tea industry.</p>
4	 <p>William Togom – Head of Human Resource and Administration</p>	<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 23 years' experience in human resource and administration.</p>
5	 <p>David Chepkwony – Head of Commercial</p>	<p>Mr Chepkwony is 48 years old and joined the corporation in 2014 as head of commercial unit. He holds a Bachelor of Commerce degree in Marketing. Prior to joining the Corporation, he worked with Ketepa, Del Monte Kenya Ltd, Reckitt Benckiser EA Ltd & Unilever Kenya Ltd and has over 21 years' experience in sales and marketing.</p>

CHAIRMAN'S STATEMENT

I am pleased to present to you the Annual Report and financial statements of Kipchabo Tea Factory Limited for the year ended 30 June 2020. The Factory is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation.

The Company reported a negative growth in the year with pretax Loss increasing from Ksh. 7.86 million in 2018/2019 to a Loss of ksh. 18.51 million in 2019/2020. This decline is attributed to poor prices at the auction as a result of high supply of made tea at the auction market in addition to the impact of COVID-19. However, Volumes of green leaf received improved as a result of favorable weather conditions during the financial year. This led to an increase in volumes of tea sold in both the domestic market and at the auction.

The investments made in the previous years in form of machinery and equipment helped the Company to optimize capacity utilization and increase efficiency.

In the current financial year green leaf intake from our farms and out growers amounted to 25.2 million kgs. The Company's strategy is to enhance value addition which will increase our revenues and transfer the benefit to our farmers and communities in the Factory catchment. We have aligned our strategy to enhance the achievement of the Big Four Agenda pillars of manufacturing, food security and nutrition.

During the year, the Company initiated programs to empower farmers and communities in the catchment in form of access to farm inputs. This initiative will help increase production as well as improving the standards of living for the community. We also work closely with the County government in improvement of access in the past year.

Our tea brands continued to grow in the local market despite stiff competition and we expect to gain larger market share due to the high quality of our tea. Our sales volumes in the domestic market was maintained, growth was affected by the restrictions of movement arising from COVID-19 in the last quarter of the financial year

I extend my gratitude for the invaluable support given by the Board of Directors, management and staff and the Government for being committed to the Company's affairs. I also take this opportunity to appreciate our esteemed customers without who we could not have gone this far.



Prof. Elizabeth Pantoren
CHAIRPERSON

Date.....30/09/2020.....

MANAGING DIRECTOR'S STATEMENT

General

I present to you the Annual Report and financial statements of Kipchabo Tea Factory Limited for the year ended 30 June 2020. The Factory is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation.

Financial Results

During the year volumes of processed tea sold increased by 14% to 5.5 million Kgs compared to 4.87 million Kgs in the previous year. Revenues increased by 14% to Ksh 1.037 Billion which was mainly attributed to higher volumes of processed tea. Direct expenses increased by 16% to Ksh. 882 million compared to Ksh. 757 million in the previous year. Indirect expenses increased by 11% to Ksh.174.5 Million compared to Ksh. 157 Million in the previous year. Overall, the company recorded loss of Ksh. 18.5 million compared to a loss of Ksh. 7.8 million recorded in the previous year.

Operations

Total green leaf received by the factory was 25.6 million Kgs which is a high compared to 21.2 million Kgs in the previous year. Out of the total green leaf received, out-growers contribution was 14 million Kgs which is 56% while the rest was collected from Nyayo Tea Zones factory catchment namely Nandi North, Nandi South, Kakamega and Kaptarakwa.

Processed tea volumes increased by 14% to 5.2 million Kgs compared to 4.87 million Kgs in the previous year giving an out-turn of 22% (2018/2019 - 23%).

Future outlook

Tea prices in the global market are expected to improve in future and this will boost the company's revenues. However, the impact of COVID-19 is still being felt in the Auction market. As a result of this, the company projects to grow its local market share which will also generate additional revenue and cushion against volatility in the Mombasa Auction prices as well as exchange rate fluctuations.

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 board I also wish to express my gratitude to the management, staff and the Government for their commitment to the Company. With your support the company will continue to grow sustainably for the benefit of all stakeholders.


Peter K. Korir
Managing Director

Date.....30/09/2020.....

CORPORATE INFORMATION

Registered Office and Principal place of Business:

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

Auditors:

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

Bankers:

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

Stanbic Bank Kenya Ltd
Kenyatta Avenue
P.O. Box 30550 00100
NAIROBI

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30 June 2020, which disclose the state of affairs of the Corporation.

Incorporation

The Company is registered in Kenya under the companies Act (Cap.486) registration certificate number CPR/2010/33168. It is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation which is registered in Kenya through a Gazette notice LN265/1986 as a parastatal and is resident in Kenya.

Principal Activity

The Company's principal activity is processing of CTC black Teas from green leaf. The green leaf is produced from the tea buffer belts established in the gazette forests and from out-growers. This enhances conservation through value addition.

Results

	2019/2020 (Ksh)	2018/2019 (Ksh)
Profit /(Loss) before tax	(18,510,052)	(7,862,538)
Net Profit/ (Loss) for the year	<u>(18,510,052)</u>	<u>(7,862,538)</u>

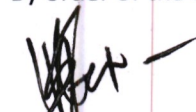
Directors

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

Auditors

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

By order of the Board



Peter Korir
Managing Director

Date 30/09/2020

STATEMENT OF CORPORATE GOVERNANCE

Corporate governance is the manner in which the power of, and the power over a company is exercised in the stewardship of its assets and resources so as to enhance and sustain shareholders' value while at the same time satisfying the needs and interests of all its stakeholders. The Company 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 Company conducts its operations in accordance with recommended principles of good corporate governance as provided in Public officers and ethics Act as well as Public Financial Management Act 2015.

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

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

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

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

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

The Corporation was also engaged in roads maintenance activities in all the zones where it operates which benefited the communities around immensely.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

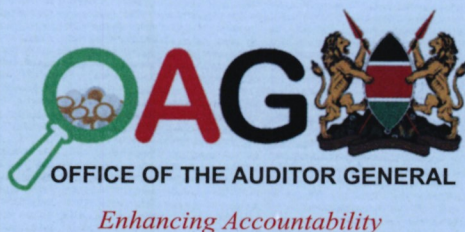
Nothing has come to the attention of the directors to indicate that the corporation will not remain a going concern for at least the next twelve months from the date of this statement.


Chairperson
Date 30/09/2020


Managing Director
Date 30/09/2020

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KIPCHABO TEA FACTORY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kipchabo Tea Factory Limited set out on pages 1 to 9, which comprise of the statement of financial position as at 30 June, 2020, 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 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, the financial statements present fairly, in all material respects, the financial position of Kipchabo Tea Factory Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kipchabo Tea Factory Limited 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 opinion.

Key Audit Matters

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

Other Information

The directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015, I report based on my audit, that:

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

Responsibilities of the Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company'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 the Management is aware of the intention to liquidate the Company or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, the 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 financial reporting process, reviewing the effectiveness of how the Company monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems

are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

27 April, 2021

Kipchabo Tea Factory Ltd
Financial Statements
For the Year Ended 30th Jun 2020

STATEMENT OF PROFIT/(LOSS) AND OTHER COMPREHENSIVE INCOME

	Notes	2019/2020 Kshs	2018/2019 Kshs
Turnover	2 (a)	1,037,086,340	906,426,269
Cost of Production	2 (b)	(884,240,533)	(757,652,433)
Gross Profit		152,845,806	148,773,836
Administrative Expenses	2 (c)	(29,188,993)	(34,806,750)
Other Operating Expenses	2 (d)	(68,568,431)	(62,211,385)
Employment Expenses	2 (e)	(74,880,137)	(60,885,290)
		(172,637,562)	(157,903,425)
Operating Profit Before finance Costs		(19,791,756)	(9,129,589)
Finance Costs	2 (e)	-	-
Profit before Exceptional Item		(19,791,756)	(9,129,589)
Other income/(Exchange Loss)	2(g)	1,281,704	1,267,051
Net profit/(loss) for the year		(18,510,052)	(7,862,538)

Kipchabo Tea Factory Ltd
Financial Statements
AS AT 30th June 2020

STATEMENT OF FINANCIAL POSITION

	Notes	2019/2020 Ksh.	2018/2019 Ksh.
<u>FIXED ASSETS</u>			
Property, Plant & Equipment	3	774,867,436	832,175,314
<u>CURRENT ASSETS</u>			
Inventories	4	167,323,052	149,705,035
Trade Receivables	6	498,802,402	471,201,709
Cash & Bank Balances	5	15,907,296	33,287,715
TOTAL CURRENT ASSETS		682,032,750	654,194,459
<u>CURRENT LIABILITIES</u>			
Trade & Other Payables	7	609,741,736	620,701,271
TOTAL CURRENT LIABILITIES		609,741,736	620,701,271
NET CURRENT ASSETS		72,291,014	33,493,188
TOTAL NET ASSETS		847,158,450	865,668,502
<u>FINANCED BY</u>			
Ordinary Shares	8	100,000	100,000
Share Premium	8	809,171,518	809,171,518
Accumulated Profit	8	37,886,932	56,396,985
TOTAL CAPITAL		847,158,450	865,668,502

The financial statements were approved by the Board of Directors on.....
and were signed on its behalf by:-

30/09/2020


Prof. Elizabeth Pantoren
Chairperson


Peter Korir
Managing Director

Kipchabo Tea Factory Ltd
Financial Statements
For the Period Ended 30th June 2020

STATEMENT OF CHANGES IN EQUITY

2019/2020

	Accumulated Fund Kshs	Revenue Reserves Kshs	Total Kshs
Shareholders Funds	809,271,518	64,259,523	873,531,041
Shareholders Capital injection	-		-
Net Profit/(Loss) for the year		<u>(7,862,538)</u>	<u>(7,862,538)</u>
As at 30th June 2019	<u>809,271,518</u>	<u>56,396,985</u>	<u>865,668,503</u>
	-		-
Net Profit/(Loss) for the year		<u>(18,510,052)</u>	<u>(18,510,052)</u>
As at 30th Jun 2020	<u>809,271,518</u>	<u>37,886,933</u>	<u>847,158,451</u>

Note: Reserves are maintained by the Company for future expansion

2018/2019

	Accumulated Fund Kshs	Revenue Reserves Kshs	Total Kshs
Shareholders Funds	809,271,518	24,290,419	833,561,937
Net Profit/(Loss) for the year		<u>39,969,104</u>	<u>39,969,104</u>
As at 30th June 2018	<u>809,271,518</u>	<u>64,259,523</u>	<u>873,531,041</u>
Net Profit/(Loss) for the year		<u>(7,862,538)</u>	<u>(7,862,538)</u>
As at 30th Jun 2019	<u>809,271,518</u>	<u>56,396,985</u>	<u>865,668,503</u>

Kipchabo Tea Factory Ltd
Financial Statements
For the Period Ended 30th June 2020

STATEMENT OF CASHFLOWS

	Note	2019/2020 Kshs	2018/2019 Kshs
Cashflow from Operating Activities			
Operating Profit (Loss)		(18,510,052)	(7,862,538)
Exchange gain		1,281,704	1,267,051
Depreciation of Fixed Assets	2 (d)	65,652,393	59,782,463
Transfer of work in progress to parent Company			4,610,430
Profit Before Working Capital Changes		48,424,046	57,797,406
(Decrease)/Increase in Debtors & Prepayments	6	(27,600,694)	91,779,898
Increase / (Decrease) in Creditors & Accruals	7	(10,959,535)	40,281,140
Increase in Stock	4	(17,618,017)	(36,201,105)
Net Changes in working Capital		(56,178,246)	95,859,933
Net Cash Generated from Operating Activities		(7,754,200)	153,657,339
Cashflows used in Investing Activities			
Purchase of Fixed Assets	3	(8,344,515)	(147,288,114)
Net Cash (Used) in Investing Activities		(8,344,515)	(147,288,114)
Net Increase in Cash and Cash Equivalents		(16,098,715)	6,369,226
Movement in Cash and Cash Equivalents			
At 1st July 2019		33,287,715	28,185,540
Effect of exchange gain on cash & cash equivalent		(1,281,704)	(1,267,051)
Increase/(Decrease) in the year		(16,098,715)	6,369,226
At 30th Jun 2020	5	15,907,296	33,287,715

Kipchabo Tea Factory Ltd
Financial Statements
For the Year ended 30th Jun 2020

STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNT

	Budget 2019/2020	Actual 2019/2020	Variance	Variance
Receipts	Kshs	Kshs	Kshs	%
Sale of Finished Tea	2,013,894,223	1,037,086,340	(976,807,884)	-49%
Payments				
Green Leaf Intake	940,311,203	616,375,433	323,935,769	34%
Other factory operating expenses	81,219,425	81,100,822	118,603	0%
Factory Materials & Consumables	2,730,000	218,098	2,511,902	92%
Motor Vehicle & Generator Fuel	31,721,064	30,644,950	1,076,114	3%
Electricity and Water	71,566,157	75,451,142	(3,884,985)	-5%
Factory running expenses	6,069,518	1,530,809	4,538,709	75%
Fuelwood	68,256,420	55,268,175	12,988,245	19%
Manufacturing Labour	25,007,982	22,710,401	2,297,581	9%
Transport of finished tea	24,175,895	23,247,253	928,642	4%
Warehousing	18,047,901	13,906,813	4,141,088	23%
Brokerage and Catalogue fee	9,998,127	6,922,962	3,075,165	31%
Advertising Marketing & Publicity	8,350,000	5,108,791	3,241,210	39%
Bank charges	800,000	1,283,969	(483,969)	-60%
Insurance	12,571,882	3,973,561	8,598,322	68%
Other administrative expenses	18,253,007	18,822,673	(569,666)	-3%
Repairs & Maintenance	2,730,000	271,900	2,458,100	90%
Security	2,474,954	2,644,138	(169,183)	-7%
Depreciation	71,464,357	65,652,393	5,811,963	8%
Salaries and wages	103,715,168	74,880,137	28,835,031	28%
Interest on Loan	4,126,250	-	4,126,250	100%
Other incomes				
Interest Income	1,000,000	106,780	(893,220)	-89%
Exchange Gain	-	1,126,378	1,126,378	

NOTES TO THE ACCOUNTS

1. Summary of Significant Accounting Policies

(a) Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). 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 sales Within the Group. Revenue is recognized as follows:

(i) Sales of goods are recognized 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 recognized 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 recognized 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 recognized 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. The assets are depreciated in full during the year of acquisition and no depreciation during the year of disposal.

The annual depreciation rates in use are: -

Buildings	2%	Office Equipment	20%
Machinery	6.65%	Computers & Accessories	33.33%
Furniture & Fixtures	12.5%	Motor Vehicles	20%

(e) Inventories

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

(f) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted. No provisions for bad debts are made if all debts are concluded to be collectible after assessment.

(g) Accrued expenses – specific and general provisions

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

(h) 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

Related Party disclosures

The company is involved in processing of Green leaf tea some of it delivered by the parent corporation (Nyayo Tea Zones).

Kipchabo Tea Factory Ltd
Financial Statements
For the Period Ended 30th Jun 2020

NOTES TO THE ACCOUNTS

	2019/2020	2018/2019
	Kshs	Kshs
2 (a) Turnover		
Sale of Finished Tea	1,037,086,340	906,426,269
	1,037,086,340	906,426,269
2 (b) Cost of Production		
Opening Stock	149,705,035	113,503,929
Green Leaf Intake	616,375,433	543,829,978
Other factory operating expenses	32,080,383	20,035,136
Factory Materials & Consumables	218,098	3,642,300
Motor Vehicle & Generator Fuel	30,644,950	26,607,704
Electricity and Water	75,451,142	62,168,707
Factory running expenses	23,138,151	34,215,677
Fuelwood	55,268,175	40,168,060
Manufacturing Labour	24,605,192	22,975,573
Transport of finished tea	23,247,253	21,323,376
Warehousing	13,906,813	12,944,313
Brokerage and Catalogue fee	6,922,962	5,942,714
Less Closing Stock	(167,323,052)	(149,705,035)
	884,240,533	757,652,433
2 (c) Administrative Expenses		
Advertising Marketing & Publicity	5,108,791	7,482,962
Bank charges	1,283,969	641,508
Insurance	3,973,561	3,942,872
Other administrative expenses	18,822,673	22,739,409
	29,188,993	34,806,750
2 (d) Other Operating expenses		
Light & Water	-	-
Repairs & Maintenance	271,900	185,301
Security	2,644,138	2,243,621
Depreciation	65,652,393	59,782,463
	68,568,431	62,211,385
2 (e) Employment Expenses		
Salaries and Wages	46,920,696	36,852,911
House Allowance	10,073,750	7,149,880
Leave Allowance	1,281,772	909,281
Commuter and Other Allowances	7,486,597	7,811,590
Medical Expense	5,749,657	5,274,447
Staff Welfare	104,078	145,939
Social Security Expense	3,263,589	2,741,242
	74,880,137	60,885,290
2 (g) Other income		
Miscellaneous Income	48,546	2,399
Interest Income	106,780	
Exchange Gain/ (Loss)	1,126,378	1,264,652
	1,281,704	1,267,051

Exchange loss relates to changes in value in sales denominated in US dollars when converted to Kenya shillings.

Kipchabo Tea Factory Ltd
Financial Statements
For the year 30th June 2020

Note 3	PROPERTY, PLANT AND EQUIPMENTS									
	Land Kshs	Work-in-Progress Kshs	Factory Buildings Kshs	Factory Machinery Kshs	Furniture & Fixtures Kshs	Office Equipment Kshs	Computers & Accessories Kshs	Motor Vehicles Kshs	Total Kshs	
2019/2020										
Cost										
As at 1st Jul 2019	8,044,682	100,163,478	462,165,125	578,156,411	4,193,349	2,048,042	12,709,548	98,384,250	1,265,864,885	
Reclassification		(99,803,518)	25,697,473	74,106,045						
Additions		1,259,860		2,564,655			745,000	3,775,000	8,344,515	
30th June 2020	8,044,682	1,619,820	487,862,599	654,827,110	4,193,349	2,048,042	13,454,548	102,159,250	1,274,209,400	
Acum Deprn 1st Jul 2019			79,131,818	260,177,852	3,860,835	1,573,203	12,525,613	76,420,250	433,689,571	
Charge for the year			9,757,252	43,546,003	55,419	168,649	382,770	11,742,300	65,652,393	
30th June 2020			88,889,070	303,723,854	3,916,254	1,741,853	12,908,383	88,162,550	499,341,964	
Net Book Value										
30th June 2020	8,044,682	1,619,820	398,973,529	351,103,256	277,095	306,189	546,165	13,996,700	774,867,436	
2018/2019										
Cost										
As at 1st Jul 2018	8,044,682	100,163,478	460,669,360	507,345,689	4,193,349	2,048,042	12,561,148	92,601,750	1,123,187,202	
Transfer		(4,610,430)							(4,610,430)	
Additions		69,050,726	1,495,765	70,810,722			148,400	5,782,500	147,288,114	
30th June 2019	8,044,682	100,163,478	462,165,125	578,156,411	4,193,349	2,048,042	12,709,548	98,384,250	1,265,864,885	
Acum Deprn 1st Jul 2018			69,888,515	222,178,923	3,805,416	1,404,554	12,363,309	64,266,390	373,907,107	
Charge for the year			9,243,303	37,998,929	55,419	168,649	162,304	12,153,860	59,782,463	
30th June 2019			79,131,818	260,177,852	3,860,835	1,573,203	12,525,613	76,420,250	433,689,571	
Net Book Value										
30th June 2019	8,044,682	100,163,478	383,033,308	317,978,559	332,514	474,839	183,935	21,964,000	832,175,315	
30th June 2017	8,044,682	35,723,182	390,780,845	285,166,766	387,933	643,488	197,838	28,335,360	749,280,095	

Kipchabo Tea Factory Ltd
Financial Statements
For the Year Ended 30th June 2020

NOTES TO THE ACCOUNTS -Continued

	2019/2020 Kshs	2018/2019 Kshs
4. Inventories		
Finished Tea at Mombasa Warehouse	69,642,318	52,375,963
Finished Tea at Kipchabo Factory	73,897,764	77,414,856
Fuelwood at Kipchabo factory	6,464,260	8,713,760
Other Inventories	17,318,709	11,200,455
	167,323,052	149,705,035
5. Cash & Cash Equivalents		
KCB Current Account	8,240,558	11,054,490
CFC Stanbic Bank	93,079	21,233,225
Mpesa Cash Account	5,466,625	-
Cash in hand	254	-
KCB Fixed Deposit	2,106,780	1,000,000
	15,907,296	33,287,715
6. Trade Receivables		
Trade Debtors	27,930,971	19,077,378
Other Debtors	41,295,303	31,387,408
Nyayo Tea Zones Devt. Corporation - Advances	429,576,128	420,736,923
	498,802,402	471,201,709
7. Trade and other Payables		
Trade Payables	83,217,601	101,870,429
Green leaf Creditors - Nyayo Tea Zones	481,160,908	461,206,173
Green Leaf Creditors - Outgrowers	42,349,074	56,630,832
Accruals	3,014,154	993,837
	609,741,736	620,701,271
8. Shareholders Funds		
Authorised No. of Shares - 5,000 Shares		
Type of Shares - Ordinary Shares		
Par value per Share Ksh. 20 each		
Total No. of Shares Subscribed - 5,000 Shares		
Value of subscribed Shares - Ksh 100,000	100,000	100,000
Share Premium	809,171,518	809,171,518
Revenue Reserves	56,396,983	64,259,523
Profit / (Loss) for the year	(18,510,052)	(7,862,538)
	847,158,450	865,668,503

Kipchabo Tea Factory Ltd
Annual Report and Financial Statements
For the Year Ended 30th June 2020

APPENDIX 1: PROGRESS ON FOLLOW UP ON AUDITOR RECCOMENDATIONS

In the previous years, the Auditor General issued an unqualified audit opinion on the financial statements of Kipchabo Tea Factory Limited.



Chairperson



Managing Director

Date... 30/09/2020

Date... 30/09/2020