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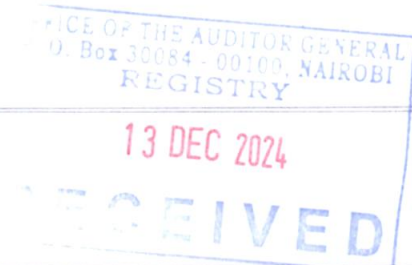
THE AUDITOR-GENERAL

ON

KABIANGA TEA FARM

**FOR THE YEAR ENDED
30 JUNE, 2024**

Kabianga Tea Farm Co. Ltd
Annual Report and Financial Statements for the year ended June 30, 2024



KABIANGA TEA FARM

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Kabianga Tea Farm Co. Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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1. Acronyms and Glossary of Terms

PFM act - Public Finance Management Act , 2012

KEWASCO - Kericho Water And Sanitation Company Ltd.

IAS - International Accounting Standards

IFRS - International Financial Reporting Standards

CBK - Central Bank Of Kenya Ltd

CBA - Collective Bargaining Agreement.

KPAWU- Kenya Plantation And Agricultural Workers Union.

KTDA - Kenya Tea Development Agency

PTA - Parents Teachers Association

ECDE -Early Childhood Development Education

NSSF -National Social Security Fund

LAPFUND - Local Authorities Provident Fund.

C E O - Chief Executive Officer.

MDG – Millenium Development Goals

SDG's – Sustainable Development Goals

PSASB - Public Sector Accounting Standards Board

SMC – Senior Management Course

2. Key Entity Information

a) Background information

Kabianga Tea Farm Company Limited was incorporated under the companies Act (Cap 486) on 20th June 2008. The Company was previously wholly owned by the County Council of Kipsigis which became defunct with the promulgation of the constitution of Kenya 2010. The County Government of Kericho became its successor and is represented by the County Executive Committee Member for Agriculture, Livestock & Fisheries Development who is responsible for the general policy and strategic direction of the *company*. The County Government of Kericho, through The County Assembly of Kericho, has established Kabianga Tea Farm as a company of the County Government of Kericho. This was established by an Act; The Kericho County Kabianga Tea Farm Act No. 8 of 2021. The Act came into effect on 6th August 2021

b) Principal Activities

The principal activity of Kabianga Tea Farm is to harvest good quality green leaf tea from its farm and sell it to green leaf tea processors.

Vision.

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

Mission.

Facilitate access to employment opportunities through enabling environment that fosters value for money for socio-economic development.

Core Values

Transparency

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

Equitability

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

Key Entity Information (Continued).

Customer focus.

Kabianga Tea Farm will endeavour to satisfy its customers' needs

Teamwork.

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

Objectivity.

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

Transparency.

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

Integrity.

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

Courage.

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

Key Entity Information (Continued).

c) Directors

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

1. John Cheruiyot -Chairman - Appointed on 08/05/2023
2. Hon Leonard Ngetich - Member & CECM (Finance & Economic Planning) Appointed on 08/05/2023
3. Hon Benard Bii Member & CECM (Agriculture , Livestock , Fisheries & Cooperative Management – Appointed on 08/05/2023.
4. Cs Betsy Kirui -Member & Chief Officer - Agriculture & Fisheries -Appointed on 08/05/2023
5. Willy Rop - Member & Chief Officer – Trade , Industrialization, Innovation, Tourism and Wildlife management – Appointed on 08/05/2023.
6. Walter Langat - Member – Appointed on 08/05/2023
7. Sylvia Selim - Member – Appointed on 08/05/2023
8. David Langat - Member - Appointed on 08/05/2023.
9. David Sawe - Chief Executive Officer –Appointed 1st December 2020.

d) Registered Office.

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

e) Corporate Contacts

Telephone: 254-0746-261 499
E-mail: kabiangateafarm@yahoo.com
Website: www.kabianga.go.ke

Key Entity Information (continued)

f) Corporate Bankers

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

g) Independent Auditors

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

h) Principal Legal Advisers

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

3. The Board of Directors

SN	Directors	Details
1.	Hon Leonard Ngetich	Mr Ngetich is currently CEC Member Trade, Industrialization, Innovation, Tourism, and wildlife management. He is a member of the County Executive. Mr. Ngetich has a vast experience in the area of Finance both in Public and private sectors.
2.	Hon Benard Bii	Mr. Benard Bii was previously a CEC Member for Agriculture, Livestock, Fisheries and Cooperative Management. is a trained Accountant having worked previously in the education sector.
3.	John Cheruiyot	Mr Cheruiyot is a trained agriculturist having worked in the tea sector for over forty years. He previously worked for Unilever tea in the estates and subsequently in Rwanda. He is an independent director and currently chairs the board of directors.
4.	Willy Rop	Mr Willy Rop is an educationist. He previously taught at Rift Valley Institute of Science and Technology.
5.	Sylvia Cherop	Ms Sylvia has a background in Procurement from Kisii University. She is an independent director and appointed to represent youth.
6.	Cs Betsy Kirui	Ms Betsy Kirui is a company secretary and a certified Public Accountant. She has a wealth of experience in public sector having worked previously as a member of the Kericho County Public Service Board.

Kabianga Tea Farm Co. Ltd

Annual Report and Financial Statements for the year ended June 30, 2024

7.	Walter Langat	Mr Langat is a career civil servant and has a vast experience in the public service. He is an independent director.
8.	David Langat	Mr. David Langat is an educationist. He brings in a wealth of experience from the public service. He is an independent director.
9.	David Sawe	Mr. David Sawe is the Chief Executive Officer and has a degree in Agricultural Economics

4. Key Management Team

SN	Management	Details
1	David Sawe -Chief Executive Officer Holds a degree in Agricultural Economics	Overall operations of the farm
2	Bernard Bore – Mr Bore has a bachelor’s degree in Commerce and a member of ICPAK.	In charge of Finance.
3	Chepchirchir Chumo – Ms Chumo has a Bachelors degree in Agricultural Economics	In Charge of Field operations, Transport and Human Resources
4	Judith Chemutai – Has a Diploma in Procurement and currently undertaking a Bachelor’s Degree in Human Resource Management.	In charge of Procurement.
5	Vincent Mutai – Has a Degree in Business Management	Principal Accounts Assistant.

5. Chairman's Statement

Results

The farm reported a loss 102,533.80 compared to a surplus of Ksh. 1,880,418.50 in prior year 2022/23. The loss was occasioned mostly by increase in labour costs.

Crops Volume.

The crop harvested from the farm during the year was 2,504,320 kgs. In prior year (2023) the crop realised 2,281,305 kgs. The total land area under tea at the farm is 121 Ha. From this volume of green leaf realised, the production per bush translated to 1.92 kgs during the year. In prior year (2023) the production per bush was 1.75 kg. The farm delivered 98% of this volume of green leaf tea for processing at Kabianga Tea Factory Ltd. About 2% was delivered for processing at Kipkebe Ltd (Sasini). The majority of the tea varieties are old clonal teas and a replanting exercise should be undertaken to be able to improve the production as there are new tea varieties which can produce above 3 kgs of green leaf tea per bush annually. The replanting exercise though costly in the short term, will generate good volumes of green leaf translating to higher revenues. The tea clones that form most of the bushes at the farm were planted in early 1960's. The latest bushes within the farm were planted in 1978.

Diversification.


The revenues at the farm are generated by sale of green leaf in raw form. The market for Kenyan tea is currently facing challenges due to over production and whereas the exit market for our teas has remained stagnant. To improve on the revenues generated by the farm, there is need to diversify into other areas like dairy farming, avocado farming and other emerging new crops to be able to cushion the farm from exposure from earning from only one line of revenues. It is critical at this point in time to diversify into other ventures as tea crop alone may not be sustainable to run as a business.

Markets.

The tea market during the year under review remain docile. The minimum price introduced at the auction for KTDA teas destabilized the market and most buyers stayed away from buying KTDA teas because of the reserve price . The window for direct sales was also closed limiting opportunities for buyers to buy teas directly without buying through the Auction. This has led to huge volumes of tea remaining unsold throughout the year.

Cost of Production.

The cost of labour continues to be a biggest challenge for the business. The existing CBA between KPAWU and the farm has constrained the sustainability of the wages for the employees. The CBA offers employees increments semi-annually. All the tea is harvested manually. The company is still engaging with the workers union to consider scaling down some of the accruing benefits to the employees as a result of the CBA. This may not be realised in the short term. Other costs that have increased the costs of labour are levies which have been brought on board by recent Acts of parliament which were not incurred previously.


Chairman. **JOHN UTTER** for Date 11/12/2024

6. Report of the Chief Executive Officer.

Green leaf tea revenues.

Below is a comparative analysis of volumes, prices per kg of green leaf and revenues from tea sold to the different processors.

Factory	2023/24			2022/23		
	Vol(kgs)	Prices	Revenues	Vol(kgs)	Prices	Revenues
Kabianga Fact.	2,473,230.10	27.00	66,578,762.70	2,092,525.00	27.00	56,498,175
Evergreen						
Sasini Tea	31,090.00	30.25	963,790.00	188,780.00	27.25	5,144,255
Sub Totals	2,504,320.10		67,542,552.70	2,281,305		61,642,430.00
Kaisugu Tea					22.00	72,736.00
Bonus(Kabianga)		1.00	932,886.80	1,667,240	2.05	2,938,365.10
Bonus(Evergreen)						601,048.00
Totals	2,504,320.10		68,475,439.50	2,281,305		65,254,579.10

Revenues from green leaf tea for the period under review was Sh.68,475,439.50 In prior year (2022/23) revenues from green leaf tea was Sh. 65,254,579.10. This translated to an increase of Ksh. 3,220,860.40 representing a percentage increase in revenue of 4%. This increase in revenue is attributed to favourable prices offered by the processors and good agricultural practices leading to an increase in volume of green leaf by 223,015 kgs compared to prior year.

Cost of Production

Total costs of production during the year under review was ksh. 37,599,653.60. In prior year, costs of production was ksh. 34,158,768.30. The cost during the year under review is higher by Ksh. 3,440,885.00. The higher costs is attributed to high plucking costs as a result of higher volumes of Green Leaf, and attendant costs relating to higher wages as a result of subsisting CBA which offered unionisable employees a 4% increment during the year under review.

Report of the Chief Executive Officer (Continued)

Performance.

Rain fed agriculture faces various challenges. Harsh weather conditions affects the production hence volume of green leaf. The crop will come with the rains and generally this has been true for the year. The farm sells all its green leaf in its raw form. Such a business model limits the expansion of growing revenue as the volumes generated annually average almost the same level unless there is marked improvement of Green leaf prices. Since prices are determined by the auction prices and ultimately the amount paid by the processors, the farm can only remain sustainable by controlling costs. During the year under review, the average tea price per kg of green leaf was ksh. 27.34 whereas in prior year it was Ksh. 28.61/kg . This marked a decline of ksh. 1.27 per kg of green leaf. The increase in revenues is attributed to the higher volumes realised during the year under review by 223,015.10 kgs.

DAVID SANG
Chief Executive Officer


Signature

Date... 11/12/2024

7. Corporate Governance Statement.

Corporate Governance is the process and structure used to direct and manage the business affairs of the Company. The principles and standards adhered to by the board are mirrored on the 'mwongozo' guide for public entities.

The board consists of eight members appointed by the County Government of Kericho. They comprise of the Chairman, who is a non-executive member, the County Executive Committee Members in charge of Agriculture & Finance, two Chief officers, one(1) from the Department of Agriculture and one(1) from the department of Trade and three(3) other members. The Chairman and the three independent directors who are not officers of the County Government are appointed for a three-year term which is renewable once by the County Government of Kericho who is the principal shareholder.

It is a mandatory requirement that all newly appointed directors of the farm are taken through induction training for them to acquaint themselves with their roles and responsibilities.

The Board is responsible for formulating policies and strategies and ensuring that the business objectives aimed at promoting and protecting the interests of the stakeholders are achieved. The board ensures that procedures and practises are set to ensure effective control over strategic, financial, operational and compliance issues.

Committees of the Board.

The board has established 4 standing committees, which meet under terms set by the board.

Technical Committee

The members of the this Committee are, CS Betsy Kirui,(Chairperson) , Hon Ben Bii,Mr. John Cheruiyot and David Sawe. The committee is in charge of all activities related to production in the field.

Corporate Governance Statement (Continued)

Human resources Committee.

The members of this committee are Mr. Willy Rop (Chairman) Ms Sylvia Cherop , David Langat and David Sawe.

Finance and Procurement Committee.

The members of this committee are Mr. Leonard Ngetich (Chairman) , Hon Edna Tonui , John Cheruiyot and David Sawe.

Audit Committee.

The members of this committee are Ms. Jackline Langat, Walter Langat, Willy Rop and David Sawe.

Director's remuneration during the year.

The Non-Executive directors are paid allowances for attending meetings. The rates are as stipulated by the salaries and remuneration commission. Additional fees are paid for further responsibilities such as visiting the farm and attending other meetings as may be required.

Kabianga Tea Farm Co. Ltd

Annual Report and Financial Statements for the year ended June 30, 2024

8. Management Discussion and Analysis.

Tea crop.

The company made sales of green leaf tea to two factories – Kabianga Tea Factory Limited and Sasini Tea Plc. The processing factories paid Ksh. 27.00/kg monthly and Ksh. 30.25 /kg monthly respectively.

The table below shows the comparative tea production statistics and revenues earned by the farm for the past five years together with the prices offered by the different factories that processed our green leaf tea.

Year ended 30 th June	Kapchebet	Kabianga/ Unilever		Sasini/ Williamson		Evergreen Tea		Total Vol (kgs)	Total Rev.
2023/24 Volume(kgs)		2,473,230.10		31,090.00		-		2,504,320.10	68,475,439.5
Prices(Mon/Bonus)		27.00	1.00	30.25	-				
2022/23 - Green leaf Vol		2,092,525.00		188,780				2,281,305.00	65,254,579.10
-Prices (Mon/ Bonus)		27.00	-	27.25	2.05				
2021/22 - Green leaf Vol				1,280,230		901,376			
-Prices (Mon/ Bonus)				25.25		23.00		2,181,606.00	57,086,272.20
				27.25	1.50	27.00	1.90		
2020/21 - Green leaf Vol	86,385.00	36,085.00		180,995.00		1,634,122.75		1,937,587.75	47,392,756.50
-Prices (Mon/ Bonus)	18.30	-	17.00	3.37	25	4.43	23.00	2.62	
2019/20 -Green Leaf Vol	367,804.30	828,379.00		771,965.00		-		1,968,148.30	46,664,479.90
- Prices (Mon/ Bonus)	20.35	-	17.00	0 .60	25	4.43	-	-	

*Mon – Monthly rate

* Bonus – Second payment rate

Management Discussion and Analysis(continued)

The farm is paid for deliveries per kg of green leaf tea. Different processors have varying minimum leaf quality standards that they accept at their factories for processing. The leaf quality standard for Kabianga Tea Factory is an average of 60% good leaf whereas Kipkebe Ltd(Sasini) accepts leaf with a minimum good leaf quality standard of above 75% . This results in lower volume of green leaf realised. High leaf quality standards also disenfranchise the workers as their take home pay is drastically reduced.

Performance

The farm’s performance for the last ten years is as indicated in the table below;

Year ended 30th June	Volume- Green Leaf	Revenues – Green Leaf	Revenues - Others	Total Revenues	Totals Costs & Exp.	Surplus/ (Loss)
2023/24	2,504,320.10	68,475,439.50	2,014,982.25	70,490,421.75	70,592,955.60	(102,533.80)
2022/23	2,281,305.00	65,254,579.10	2,702,011.25	67,956,590.40	66,076,171.85	1,880,418.50
2021/22	2,181,606.00	57,086,272.20	956,341.80	58,047,465.00	56,104,094.25	1,943,370.70
2020/21	1,937,587.75	47,392,756.50	2,136,886.26	49,529,622.75	49,578,197.03	(48,574.28)
2019/20	1,968,148.30	46,664,479.90	1,190,310.80	47,854,790.70	50,570,611.40	(2,715,820.70)
2018/19	1,789,709.00	51,523,939.00	1,869,000.00	53,392,939.00	52,981,473.00	411,465.35
2017/18	1,932,642.00	66,051,520.60	1,221,644.00	67,273,164.60	53,194,776.80	14,078,387.80
2016/17	1,525,979.00	49,078,081.60	1,093,030.65	50,171,112.25	41,884,988.00	8,286,123.80
2015/16	2,015,597.70	64,476,486.95	956,137.25	65,432,624.20	43,563,938.70	21,868,685.50
2014/15	1,556,348.40	31,267,596.00	302,479.25	31,570,075.25	34,914,804.60	(3,344,729.35)

Tea industry Outlook.

The tea industry has been undergoing reforms with a view to ensuring efficiency, transparency and good governance in the value chain with the ultimate objective of improving farmers’ earnings.

Management Discussion and Analysis (continued)

The Tea Act 2020 continues to dominate the landscape and the way tea business is conducted throughout the tea value chain from the farmer, the processors and the marketing of tea. KTDA controls at least 65% of Kenya's tea production. Any buyer operating in Kenya cannot ignore them. Our tea is sold to private processors. KTDA is able to place minimum prices on their teas thus fetching better prices than the private processors/ Multinationals. As a result, they offer better prices to their farmers.

Demand for Kenyan tea remains concentrated on Pakistan and Egypt. It would be hugely encouraging if national efforts to negotiate demand from a very still protectional Indian market were taken. The population is increasing and will overtake China soon.

Europe, the UK and North America are in transition with retailers continuing to demand a large percentage for sales. With inflationary pressures and the higher prices (KTDA Minimum Price) for Kenyan teas, these markets are turning to inferior destinations, Malawi, Tanzania, and South India. The probability is that sales will therefore continue to decline in the western world as customers turn to alternative beverages.

In view of the dipping prices and in order to secure the sustainability of the tea industry, the government has to put in interventions necessary to cushion the producer prices.

This include amongst others, the setting up of a reserve price at the Auction based on the cost of production and diversification to Orthodox tea production. The government has also commenced the implementation of the reforms contained in the Tea Act, 2020 which are geared towards facilitating improved farmers' earnings as well as a competitive and sustainable tea sub-sector.

Tea prices and trade are also expected to be adversely impacted by the Russia-Ukraine conflict, as the Russian Federation is the largest importer of Indian tea, the third largest importer of Sri Lankan tea and the fifth largest importer of Kenyan tea. The Russian Federation is a major

Management Discussion and Analysis (continued)

supplier of fertilizers, and limited availability and/or higher prices of fertilisers could translate into lower yields and impact tea quality.

Global consumption of tea increased annually by 3.5 percent over the last decade, and is estimated to have amounted at around 7.4 million tonnes in 2022, underpinned by robust demand in major producing countries (China and India), as well as other Asian and emerging economies.

World tea exports increased annually by 0.5 percent over the last decade.

Black tea exports registered a minor increase of 0.1 percent, owing to increasing shipments from Kenya and India, which more than offset reduced shipments by Sri Lanka, the second largest exporter of black tea. Green tea exports increased by 2.3 percent, mainly driven by increased sales by China and Viet Nam. In the medium term, exports of black tea are projected to increase by 1.4 percent, on the back of expected larger shipments by Kenya, confirming the country's rank as the largest exporter, followed by India, Sri Lanka, Argentina, Viet Nam, Uganda and the United Republic of Tanzania. World green tea exports are expected to grow at a faster rate over the medium term, by about 4.0 percent per year, driven by foreseen sharp increases in sales by the top three exporters. China is expected to continue to dominate the green tea export market, accounting for over 70 percent of global green tea exports and registering an annual increase of 3.6 percent up to 2030, followed by Viet Nam, with a share of over 20 percent. In terms of growth rates, Viet Nam and Japan are projected to lead, respectively, at 7.0 percent and 6.5 percent.

Risks.

There has been a recent drive by all the key players to move towards quality production of tea both at the farm level and at the factory level. This is driven by the changing consumer trends and the over production of black CTC teas in the market. If factories demand quality leaf at the farm level, there will be a serious decline of volume of tea harvested. The low volumes of tea realised shall impact negatively on the revenues as we rely solely on sale of green leaf.

Our revenue model was premised on delivering big volumes as opposed to the current drive where every player is focusing on quality.

9. Environmental and Sustainability Reporting.

Kabianga Tea farm exists to support the socio economic development of the County Government of Kericho. Its primary objective is to generate revenues to the county, create employment, and support several other stakeholders within the larger Kericho County.

i) Sustainability strategy.

Tea business is supported by good and reliable rainfall. As all the crop is rain fed, the farm has partnered with key stakeholders to ensure the environment is taken care of for sustainable operations.

Key among these stakeholders are the schools, community based organizations, churches and the County Government of Kericho. One key area where the company has made interventions is the establishment of a tree nursery, that propagates tree seedlings. The trees at the nursery are sold at a subsidized price to enable more customers get access to tree seedlings.

The tree seedlings being propagated are mostly indigenous. During the year, the farm made available 150,188 tree seedlings which were sold to the residents in order to preserve the environment.

ii) Environmental performance

The farm is registered under rainforest alliance and has strived to comply with all the requirements of Rainforest Alliance. The farm protects existing wild animals, has an inventory of all wild animals within its farm and protects existing ecosystems.

There are proper waste disposal sites, with good signage. Wastes are segregated between bio-degradable and non-biodegradable. Indigenous trees are also planted along the water bodies and no farming is allowed within 50metres from the rivers/streams.

Environmental and Sustainability Reporting (Continued)

iii) Employee welfare

The company offers housing to some of its employees. The workers living quarters are kept good by painting regularly every 2 years. When hiring employees, equal opportunity is given to all on the basis of their qualifications and abilities for the work to be performed. The company concluded negotiations with the union for the first ever CBA between KPAWU and the farm. This guarantees good labour practices and harmonious industrial relations.

iv) Market place practices-

a) Responsible competition practice.

The farm believes in vigorous yet fair competition and supports the development of appropriate competition laws. The farm treats all its suppliers and customers in a fair and balance manner and gives equal opportunities to all. The farm does not involve itself in any political activities and gives all political players equal treatment.

b) Responsible Supply chain and supplier relations

The farm has committed to establishing mutually beneficial relations with all its suppliers and business partners. In all our dealings the farm expects its suppliers to adhere to ethical business practices. No delay whatsoever for deliveries/supplies made shall be paid outside agreed credit periods.

v) Corporate Social Responsibility/Community Engagements.

The company has continued to support education in the community by employing one teacher at the neighbouring Kapmaso Primary School. This has enabled the

Environmental and Sustainability Reporting (Continued)

school not to charge PTA fees from parents. The company has also employed 3 ECDE teachers and provided classrooms to offer early childhood education within its premises.

The company continues to offer subsidized tree seedlings for sale to customers in an effort to support environmental conservation. Each tree seedling is sold at Ksh. 5.00 whereas the market price on average is Ksh. 10.00. During the year the company sold approximately 45,000 tree seedlings to the community at the subsidized price.

10. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the company's affairs.

i) Principal activities

The principal activity of the company continues to be harvesting and selling of green leaf tea.

ii) Results

The results of the company for the year ended June 30, 2024, are set out on page 1-48.

iii) Dividends

The company paid shillings two million to the County Government of Kericho, the principal shareholder.

iv) Directors

The members of the Board of Directors who served during the year are shown on page v. The independent directors who are appointed by the County Government of Kericho serve for a three-year period. Their term may be renewed for a further term of three years.

v) Auditors

The Auditor-General is responsible for the statutory audit of the *Company* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended 30th June 2024.

By Order of the Board

DAND SANG

Name

Secretary to the Board



Signature

11/12/2024

Date

11. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the *company* at the end of the financial year and the operating results of the *company* for that year. The Directors are also required to ensure that the *company* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *company*. The Directors are also responsible for safeguarding the assets of the *company*.

The Directors are responsible for the preparation and presentation of the *company's* financial statements, which give a true and fair view of the state of affairs of the *company* for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the *company*, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

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


Statement of Directors' Responsibilities (Continued)

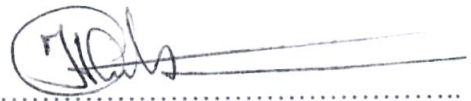
The Directors are of the opinion that the *company's* financial statements give a true and fair view of the state of *company's* transactions during the financial year ended June 30, 2024, and of the *company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *company*, which have been relied upon in the preparation of the *company's* financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the company's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the *company* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

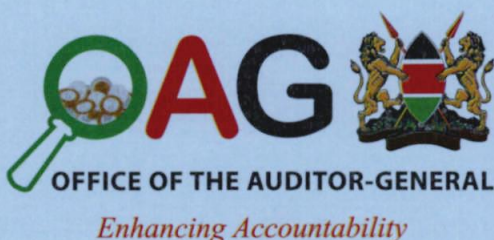
The *company's* financial statements were approved by the Board on 26/09/ 2024 and signed on its behalf by:


Name DAVID SAME
Chairperson of the Board


Name John Clough
Chief Executive Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 KABIANGA TEA FARM FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Kabianga Tea Farm set out on pages 1 to 51, which comprise the statement of financial position as at 30 June, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects 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 Kabianga Tea Farm as at 30 June, 2024 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 Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy of Revenue from Green Leaf

The statement of profit or loss and other comprehensive income reflects revenue from green leaf amounting to Kshs.68,475,440 as disclosed in Note 6 to the financial statements. However, amount differs with the recomputed revenue from green leaf amounting to Kshs.68,685,345 resulting to an unexplained Kshs.209,905 .

Further, the amount differ with the ledger balance of Kshs.69,363,019 resulting to an unexplained variance of Kshs.677,674.

In addition, review of the Company records revealed that the Company sold its produce to two local tea factories. However, the purchaser statements indicating quantities delivered from the farm and quantities received at the factories were not provided for audit.

In the circumstances, the accuracy and completeness revenue from green leaf amounting to Kshs.68,475,440 could not be confirmed.

2. Unsupported Other Income

The statement of profit or loss and other comprehensive income reflects other income amounting to Kshs.2,005,221. The amount includes tea plants (nursery) of Kshs.495,620, tree plants (nursery) of Kshs.293,215, coffee sale (Kipkelion arm) of Kshs.836,437 and mature tree of Kshs.100,000 all totalling Kshs.1,725,272 as disclosed in Note 9 to the

financial statements. However, the tree plants and coffee sales were not supported by production statements indicating quantities harvested, coffee sales returns statements and the contract price per kilogram during the year under review.

In the circumstances, the accuracy and completeness of other income amounting to Kshs.1,725,272 could not be confirmed.

3. Unsupported Cost of Fertilizer

The statement of profit or loss and other comprehensive income reflects cost of sales amounting to Kshs.37,599,654. The amount includes cost of fertilizer amounting Kshs.3,602,529 as disclosed in Note 7 to the financial statements. However, the supporting documents such as user requisitions, invoices, LPOs, delivery notes, inspection and acceptance report, counter receipt vouchers (S13), counter requisition and issue voucher (S11) and bin card(S3) were not provided.

In the circumstances, the accuracy, completeness and propriety of cost of fertilizer amounting to Kshs.3,602,529 could not be confirmed.

4. Unsupported Director's Emoluments

The statement of profit or loss and other comprehensive income reflects administration costs amounting to Kshs.11,873,09. The amount includes directors' emoluments totalling Kshs.1,663,420 as disclosed in Note 10 (a) to the financial statements. However, the directors' emoluments were not supported by Minutes of the meetings, signed attendance registers and activity work plans.

In the circumstances, the accuracy, completeness of directors' emoluments amounting to Kshs.1,663,420 could not be confirmed.

5. Unsupported Transportation, Travelling and Subsistence

The statement of profit or loss and other comprehensive income reflects administration costs amounting to Kshs.11,873,09. The amount includes transportation, travelling and subsistence amounting to Kshs.2,663,214 as disclosed in Note 10 (a) to the financial statements. However, the transportation, travelling and subsistence expenditure includes Kshs.2,476,514 which was not supported by Imprest warrant applications detailing the purpose of the travel, authority to travel, receipts, motor vehicle work tickets, attendance registers, reports of the meetings and evidence that the issued imprests were recorded in an imprest register.

In the circumstances, the accuracy, completeness of transportation, travelling and subsistence amounting to Kshs.2,476,514 could not be confirmed.

6. Unsupported Repairs and Maintenance

The statement of profit or loss and other comprehensive income reflects administration costs amounting to Kshs.11,873,09. The amount includes repairs and maintenance

amounting to Kshs.1,856,066 as disclosed in Note 10 (a) to the financial statements. However, the repairs and maintenance expenditure includes Kshs.1,060,832 which was not supported by Requisition from user departments, driver defects report, motor vehicle work tickets and pre and post mechanical inspection reports in respect of each motor vehicle, plant and equipment.

In the circumstances, the accuracy, completeness of repairs and maintenance amounting to Kshs.1,060,832 could not be confirmed.

7. Inaccuracy of Total Comprehensive Loss for the Year

The statement of financial of profit or loss and other comprehensive income reflects total comprehensive loss for the year amounting to Kshs.10,685. However, the amount does not include tax credit amounting to Kshs.612,751, and net of dividends paid to County government of Kericho and tax paid of totalling Kshs.2,000,000 and Kshs.520,902 respectively reflected in the statement of changes in equity.

The statement of changes in equity reflects dividends paid to County Government of Kericho amounting to Kshs.2,000,000 as further disclosed in Note 14 to the financial statements. However, the dividend paid were more than the net profit after taxation amounting to Kshs.1,403,899 reported in the previous year resulting in an overpayment of Kshs.596,101.

In the circumstances, the accuracy ,completeness and propriety of the total comprehensive loss for the year amounting to Kshs.10,685 could not confirmed.

8. Inaccuracy in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment assets totalling Kshs.44,895,790. The amount includes land amounting to Kshs.44,760,000 as disclosed in Note 15 to the financial statements in respect of one hundred and fifty-one (151) hectares of land. Review of records revealed that the land was last valued in July, 2000 and Management confirmed that no valuation had been done since then. This was contrary to Paragraph 34 of International Accounting Standards (IAS)16 which states that the frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value instead, it may be necessary to revalue the item only every three or five years.

Further, the property, plant and equipment schedule included buildings and civil works, plant and machinery, motor vehicles and computers and related equipment which were fully depreciated as at 30 June, 2024 at an accumulated depreciation value of Kshs.53,886,442. However, the assets had not been revalued

In addition, the assets including parcels of land and motor vehicles did not have title deed and log books in the name of the Company instead the assets were registered in the name of the defunct County Council of Kipsigis. Management did not provide reasons why the assets had not been transferred to the Company.

In the circumstances, the accuracy, ownership and valuation of the property, plant and equipment balance Kshs.44,895,790 could not be confirmed.

9. Unsupported Provisions on Trade and Other Receivables

The statement of financial position reflects trade and other receivables totalling Kshs.4,274,619. The amount is net of provision for bad and doubtful debts on trade and staff receivables amounting to Kshs.2,089,886 as disclosed in Note 19 to the financial statements. However, the policy of the provisions has not been disclosed in the financial statements.

Further, there was no specific provision for the impairment of debts that have been outstanding for a long period and which may not be recovered. A review of the matter in the current year noted that the Management did not set a specific provision for the long outstanding debts.

In addition, the amount includes staff receivables and other receivables totalling Kshs.385,485 and Kshs.574,005 as shown in Note 19 to the financial statements respectively which have been outstanding for over twelve (12) years. However, Management had not assessed these debts as doubtful and adequate control measures and safeguards to recover the debts were not provided for audit.

In the circumstances, the accuracy, completeness and recoverability of the trade and other receivables totalling Kshs.4,274,619 could not be confirmed.

10. Accuracies of Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents totalling Kshs.15,205. The amount is net of negative bank balance amounting to Kshs.16,032 as disclosed in Note 21 to the financial statements. This was contrary to Paragraph 32 of International Accounting Standards (IAS) 1 which states that an entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an International Financial Reporting Standard (IFRS).

Further, amount includes a balance of Kshs.17,033 held in a US Dollar account in a commercial bank. However, the certificate of bank balance, cash book, bank statements and bank reconciliation for the foreign currency account were not provided for audit.

In addition, approval for opening the foreign currency bank account by the Cabinet Secretary, National Treasury as required by Regulations 76(2) of the Public Finance Management (County Governments) Regulations, 2015 was not provided.

In the circumstances, the accuracy and completeness of the cash and cash equivalents totalling Kshs.15,205 could not be confirmed.

11. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables totalling Kshs.5,364,755. The amount includes trade payables, accrued expenses and payroll balances of Kshs.629,444, Kshs.2,559,303 and Kshs.2,176,008 respectively as disclosed in Note 26 to the financial statements. However, the supporting documents including ledger schedule giving a detailed list of the suppliers or employees who were owed, invoices, delivery notes, local service or local purchase order numbers, payroll creditors, and ageing analysis were not provided for review.

Further, Note 10(a) to the financial statements reflects auditor's remuneration amounting to Kshs.120,000 as disclosed and a similar comparative figure. Review of records indicate that no audit fees was paid during the year under review. However, the unpaid audit fees were not included in the accounts payables amount.

In the circumstances, the accuracy, completeness and existence of trade payables totalling Kshs.5,364,755 could not be confirmed.

12. Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total expenditure on comparable basis amounting to Kshs.69,125,023. However, the amount includes actual expenditure which are at variance with those reflected in the statement of profit or loss and other comprehensive income as shown below:

	Note	Amount in the Statement of Profit or Loss and Other Comprehensive Income (Kshs)	Amount in Statement of Comparison of Budget and Actual Amounts (Kshs)	Variance (Kshs)
Weeding	7	2,066,928	2,099,328	(32,400)
Nursery unit costs	7	192,232	616,659	(424,427)
Motor vehicle costs	7	1,849,880	3,361,468	(1,511,588)
Staff costs	10 (b)	21,119,793	20,732,033	387,760
General overheads	10 (a)	0	2,955,398	(2,955,398)
Administration expenses	10 (a)	11,873,509	3,986,652	7,886,857
Repairs and maintenance	10 (a)	1,856,066	1,341,345	514,721
Other operating expenses	10 (a)	893,440	2,052,059	(1,158,619)

Report of the Auditor-General on Kabianga Tea for the year ended 30 June, 2024

	Note	Amount in the Statement of Profit or Loss and Other Comprehensive Income (Kshs)	Amount in Statement of Comparison of Budget and Actual Amounts (Kshs)	Variance (Kshs)
Total		39,851,848	37,144,942	2,706,906

In the circumstances, the accuracy and completeness of statement of comparison of budget and actual amounts could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounting to Kshs.72,843,100 and Kshs.70,490,422 respectively resulting in under-funding of Kshs.2,352,678 or three percent (3%) of the budget. Further, the statement reflects costs and expenses actual on comparable basis amounting to Kshs.69,125,023 resulting in under-expenditure of Kshs.3,718,077 or five percent (5%) of the budget.

In addition, the statement reflects final total income and expenditure budget amounting to Kshs.72,843,100 and Kshs.71,725,321 resulting in unbalanced budget by Kshs.1,117,779. This was contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires budget revenue and expenditure appropriations to be balanced.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on the implementation of the Company's programs and service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, twenty (20) issues were raised under the Report on Financial Statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, However, Management has not resolved the issues or given any explanation for failure to resolve the issues.

Other Information

Management is responsible for the other information set out on page v to xxiv which comprise of Key Company Information and Management, the Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors ,and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's 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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Irregular Sale of Green Leaf Tea

The statement of profit or loss and other comprehensive income reflects revenue from green leaf amounting to Kshs.68,475,439 as disclosed in Note 6 to the financial statements. Review of Company records revealed that the tea produced was sold to two tea factories. However, a contract agreement between the Farm and one of the companies which received 31,090 kilograms of green tea leaves at a unit price of Kshs.31 per kilogram was not provided for audit. This was contrary to Section 135 (2) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to enter into a written contract with the person submitting the successful tender based on the tender documents and any clarifications that emanate from the procurement proceedings.

In the circumstances, Management was in breach of law.

2. Unauthorized Expenditure

The statement of comparison of budget and actual amounts reflects over expenditure on purchase of fertilizer of Kshs.308,991, weeding costs of Kshs.93,616 and staff costs of Kshs.800,251 all totalling Kshs.1,202,858 or approximately two percent (2%) of the budget. This was contrary to Regulation 43(2) of the Public Finance Management (County Governments) Regulations, 2015 on budget execution which requires County Government entities to execute their approved budgets based on the annual appropriation legislation and the approved annual cash flow plan.

In the circumstances, Management was in breach of law.

3. Non-Payment of Audit Fees

The statement of profit or loss and other comprehensive income reflects administration expenses amounting to Kshs.11,873,09. The amount includes auditor's remuneration amounting to Kshs.120,000 as disclosed in Note 10(a) to the financial statements. However, the Company records indicate that Management had not remitted any audit fees to the Office of the Auditor General during the year under review. This was contrary to the provisions of Section 41 of the Public Audit Act, 2015 that requires the audited entity to pay audit fees at the rates prescribed by the Auditor-General.

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

4. Irregular Engagement and Payment of Casual Employees

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.21,119,793. The amount includes wages of temporary employees totalling Kshs.5,413,461 as disclosed in Note 10 (b) to the financial statements. Review of records revealed that the casuals were engaged for a period of more than twelve (12) months. This was contrary to Section 37(1)(b) of the Employment Act, 2007 which states

that where a casual employee performs work for more than three months, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly. Further, records provided for audit revealed that there was no approved staff establishment showing deficiency of staff to be filled by the casuals or formal requests done from the departmental heads on the need for engaging casuals.

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

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

Review of the Company's payroll for the month of June, 2024 revealed that ten (10) employees were earning net salaries that were less than one-third of their basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which provides that total deductions from salaries of employees shall not exceed two-thirds of the respective basic salaries.

In the circumstances, Management was in breach of the law

6. Irregular Appointment of the Board of Directors

Review of the Company records revealed that there was no gazette notice formally appointing the Board of Directors or official appointment by way of letters. This was contrary to Section 1.1(11) of Mwongozo Code of Governance which requires each Board Member to be formally appointed to the Board through a Gazette Notice and thereafter issued with an appointment letter.

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

The audit was conducted in accordance with ISSAI 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

Basis for Conclusion

1. Lack of Approved Human Resource Manuals and Policies

Review of the human resources records revealed that the Company lacked key policy manuals for human resource management including staff establishment, customized scheme of service, career progression guidelines, casuals' engagement policy and HR development policy. As a result, confirmation of the appropriateness of the current staffing level that would enhance achievement of the Farm's strategic objectives was not possible.

In the circumstances, it was not possible to confirm whether the Farm operated with an optimal number of staff.

2. Lack of Internal Audit Review and Audit Committee

During the year under review, it was noted that there was no Internal Audit review of the Company's activities contrary to Regulation 153(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires internal auditors to review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities and review the effectiveness of the financial and non-financial performance management systems of the entities.

Further, the Board had not constituted an audit committee since its establishment as required by Regulation 155 (5) of the Public Finance Management (County Governments) Regulations, 2015. In addition, there was no evidence or proof that audit reports of both internal and external auditors had been discussed by the audit committee.

In the circumstances, internal control mechanisms that could have an impact on achievement of the strategic objectives of the Farm may be undetected and hence not rectified in good time.

3. Lack of Risk Management Strategies

The Company's Management had not put in place risk management policy to guide the Management on risk assessment and formulation of risk mitigation strategies. It was, therefore, not clear how Management manages risk exposures. This was contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, Management ability to identify, measures and mitigate operations and other risks faced by the Farm may have been constrained.

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance

were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the 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. The information given in the Directors' report on pages i to xxix is consistent with the financial statements.

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the 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 Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

Kabianga Tea Farm Co. Ltd.**Annual Report and Financial Statements for the year ended June 30, 2024****13. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2024.**

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Revenue from Green Leaf	6	68,475,439.50	65,254,579.10
Cost of sales	7	(37,599,653.60)	(34,158,768.30)
Gross profit		30,875,785.90	31,095,810.80
Other Income			
Finance Income	8	9,760.45	14,595.80
Other Income	9	2,005,221.80	2,687,415.45
TOTAL REVENUES		32,890,768.15	33,797,822.05
OPERATING EXPENSES			
Administration Costs	10 (a)	11,873,509.40	9,970,646.55
Staff costs	10 (b)	21,119,792.55	21,946,757.00
TOTAL OPERATING EXPENSES		32,993,301.95	31,917,403.55
PROFIT/(LOSS) BEFORE TAXATION		(102,533.80)	1,880,418.50
INCOME TAX EXPENSE/(CREDIT)	12	91,849.10	(476,519.60)
PROFIT/(LOSS) AFTER TAXATION		(10,684.70)	1,403,898.90
Earnings per share – basic and diluted	13		
Dividend per share	14		
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation		(10,684.70)	1,403,898.90
Surplus or deficit on revaluation of PPE			
Remeasurement of net defined benefit liability			
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(10,684.70)	1,403,898.90

14. Statement of Financial Position as at 30 June 2024

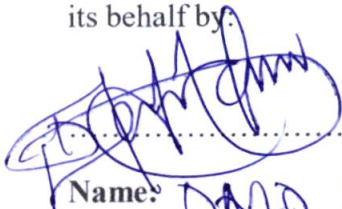
Description	Note	2023/2024	2022/2023
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	44,895,790	45,017,714
Intangible assets	16	-	-
Biological Assets	17	37,540,000	37,540,000
Staff Receivables due after one year	19(c)	64,420	15,670
Total Non-Current Assets		82,500,210	82,573,384
Current Assets			
Inventories	18	400,572	482,220
Trade and other receivables	19(a)	4,274,618	9,115,971
Tax recoverable	20	1,171,348	558,598
Bank and cash balances	21	15,205	181,684
Total Current Assets		<u>5,861,743</u>	<u>10,338,473</u>
Total Assets		88,361,953	92,911,857
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	22	100,000	100,000
Revaluation reserve	23	78,423,502	78,423,502
Fair value adjustment reserve	24		
Retained earnings	25	4,342,820	6,353,502
Proposed dividends			
Capital and Reserves		82,866,322	84,877,004
Non-Current Liabilities			
Current Liabilities			
Trade and other payables	26	5,364,755	7,903,977
Provisions	28	130,876	130,876
Tax payable			

Kabianga Tea Farm Co Ltd.


Annual Report and Financial Statements for the year ended June 30, 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Total Current Liabilities		5,495,631	8,034,853
TOTAL EQUITY AND LIABILITIES		88,361,953	92,911,857

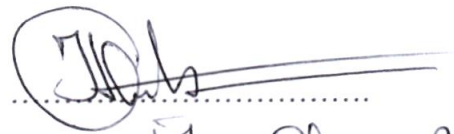
The financial statements were approved by the Board on 26/09/ 2024 and signed on its behalf by:



Name: DINO SAINO
C.E.O



Name: BERNARD BORE
Head of Finance
ICPAK M/NO: 14339



Name: John Chemya
Chairman of the Board

15. Statement of Changes in Equity for the year ended 30 June 2024

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
As at July 1, 2022	100,000	78,423,502	-	6,449,604	-	-	84,973,106
New capital issued		-					
Revaluation gain		-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-
Tax Recoverable		-	-	41,270	-		41,270
Fair value adjustment on quoted investments		-	-	-	-	-	
Profit for the year		-	-	1,880,418	-	-	1,880,418
Tax Paid		-	-	(517,790)	-	-	(517,790)
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-
Distribution To Kericho County Gov't		-	-	(1,500,000)	-	-	(1,500,000)
Proposed final dividends		-	-	-	-	-	-
As of June 30, 2023	100,000	78,423,502	-	6,353,503	-	-	84,877,004

Kabianga Tea Farm Co Ltd.**Annual Report and Financial Statements for the year ended June 30, 2024**

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
As at July 1, 2023	100,000	78,423,502	-	6,353,503	-	-	84,877,004
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Tax Recoverable	-	-	-	612,751	-	-	612,751
Profit for the year	-	-	-	(102,533)	-	-	(102,533)
Capital/development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid –County Gov't	-	-	-	(2,000,000)	-	-	(2,000,000)
Tax Paid	-	-	-	(520,902)	-	-	(520,902)
Proposed final dividends	-	-	-	-	-	-	-
At June 30, 2024	100,000	78,423,502	-	4,342,820	-	-	82,866,322

16. Statement of Cash Flows for the year ended 30 June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations	29	2,354,423	1,583,774
Interest received		-	-
Interest paid		-	-
Taxation paid		(520,902)	(517,790)
Net cash generated from/(used in) operating activities		1,833,521	1,065,984
Cash flows from investing activities			
Purchase of property, plant and equipment		-	-
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets		-	-
Purchase of investment property		-	-
Purchase of quoted investments		-	-
Proceeds from disposal of quoted investments		-	-
Net cash generated from/(used in) investing activities		-	-
Cash flows from financing activities			
Proceeds from issues of new share capital		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		(2,000,000)	(1,500,000)
Net cash generated from/(used in) financing activities		(2,000,000)	(1,500,000)
Increase/(decrease) in cash and cash equivalents		(166,479)	(434,016)
Cash and cash equivalents at beginning of year		181,684	615,700
Effects of foreign exchanges rate fluctuations			
Cash and cash equivalents at end of the year	29	15,205	181,684

17. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	2023-2024	2022-2023	2023-2024	2023-2024	2023-2024	2023-2024
	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Revenue						
Sales of green leaf tea	70,168,100	-	70,168,100	68,475,439.50	(1,692,660)	2.41%
Other Income	2,675,000	-	2,675,000	2,014,982.20	(660,017)	24.67%
Total income	72,843,100	-	72,843,100	70,490,421.70	(2,352,678)	3.23%
Costs & Expenses						
Plucking	28,231,719	-	28,231,719	28,213,321	18,398	0.07%
Fertilizer	3,293,538	-	3,293,538	3,602,529	(308,991)	(9.38%)
Weeding	1,973,311	-	1,973,311	2,099,328	(93,616)	(4.74%)
Nursery unit costs	978,875	-	978,875	616,659	362,216	38.05%
Pruning	1,708,428	-	1,708,428	1,674,763.	33,665	1.97%
Motor Vehicle costs	3,947,097	-	3,947,097	3,361,468	585,628	14.84%
Staff Costs	19,931,781	-	19,931,781	20,732,033	(800,251)	(4.01)%
General Overheads	3,639,960	-	3,639,960	2,955,398	684,561	18.81%
Administration Expenses	4,481,860.	-	4,481,860.	3,986,652	495,207	11.05%
Repairs & Maintenance	1,092,000	-	1,092,000	1,341,345	249,345	(22.83%)
Other operating expenses	2,446,750	-	2,446,750	2,052,059	394,691	16.13%
Totals- Costs & Expenses	71,725,321	-	71,725,321	69,125,023	1,132,365	1.57%
Surplus for the period	1,117,778	-	1,117,778	(102,533)	(1,220,312)	(109.17%)

Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2024 (Continued)

	Performance difference	% of utilisation	Explanations on Performance difference exceeding 10%
	2023-2024	2023-2024	2022-2023
	Kshs	Xxx%	
Other Income	(660,017.00)	(24.67)%	The drop on earnings from other income was occasioned by the drop in volumes of Coffee from a projected volume of 25,000 kgs to actual volume of 16,630 kgs.
Nursery unit costs	372,418.00	38.05%	This favorable variance is as a result of scaling down propagation of old clonal tea seedling from the mother bushes in our tea fields and only raising tea seedlings by using new clonal varieties sourced from Tea Research Institute.
Motor Vehicle Expenses.	585,629.00	14.84%	Delivery of green leaf to Kabianga Tea Factory Ltd which is about 5 Km from the farm brought down motor vehicle maintenance costs compared to expenses which were higher when green leaf was being delivered to Sasini which is about 50km away from our farm.
General Overheads	684,562.00	18.81%	This favorable variance is attributed to legal /secretarial costs not being incurred in the course of the Financial year.
Administration Costs	495,208.00	11.05%	Low spending on Training, Certification and Licensing fees.
Repairs & Maintenance	(249,345.00)	(22.83)%	The Rain forest alliance certification requirements of good living quarters for employees.
Other operating expenses	394,691.00	16.13%	Pruning, De-suckering done selectively at Kipkelion Coffee Farm as a result of higher crop flowering .

18. Notes to the Financial Statements

1. General Information

Kabianga Tea Farm is established by and derives its authority and accountability from the Kericho County Kabianga Tea Farm Act, 2021. The Company is wholly owned by the County Government of Kericho, and is domiciled in Kenya. The Company's principal activity is harvesting of green leaf tea.

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the company's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *company*, and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Title	Description	Effective Date
(issued in May 2021)		

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

- ii. *New and amended standards and interpretations in issued but not yet effective in the year ended 30 June 2024.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an company to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an company provides about liabilities arising from loan arrangements for which an company's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the company complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

Notes to the Financial Statements (Continued)

iii. Early adoption of standards

The Company did not early – adopt any new or amended standards in the financial year.

Notes to the Financial Statements (Continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognizes revenue when it transfers control of a product or service to a customer.

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

Notes to the Financial Statements (Continued)

b) In-kind contributions

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

c) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

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

Notes to the Financial Statements (Continued)

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

The annual rates in use, as guided by National Treasury policy on assets depreciation are:

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

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

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Notes to the Financial Statements (Continued)

f) Amortisation and impairment of intangible assets.

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs

Notes to the Financial Statements (Continued)

are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

Notes to the Financial Statements (Continued)

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

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

n) Taxation

i) Current income tax

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

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

Notes to the Financial Statements (Continued)

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

ii) Deferred tax.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Notes to the Financial Statements (Continued)

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

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

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya

Notes to the Financial Statements (Continued)

and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) Borrowings

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

r) Trade and other payables

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

Notes to the Financial Statements (Continued)

s) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from November 1, 2017. The scheme is administered by LAPFUND and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% of the employees earnings for both the employees and the employer capped at gross earnings of Ksh. 18,000.00 per employee per month.

t) Provision for staff leave pay

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

u) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the company operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the Financial Statements (Continued)

v) Budget information

The original budget for FY 2023/2024 was approved by board on 15th March 2023.

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

i) Service concession arrangements

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

ii) Comparative figures

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

iii) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

Notes to the Financial Statements (Continued)

b) Useful lives and residual values

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

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

c) Provisions

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

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

6. Revenue – Green Leaf.

Description	2023/2024	2022/2023
	Kgs/Kshs	Kgs/Kshs
Volume of Green leaf		
Kabianga Tea Factory Ltd	2,474,230.10	2,092,525
Kipkebe ltd (Sasini)	31,090.00	188,780
Total Volume (Kgs)	2,504,320.10	2,281,305.00
Revenues		
Evergreen Factory		601,048.00
Kaisugu Limited*		72,736.00
Kipkebe Ltd (Sasini)	948,245.00	8,082,620.10
Kabianga Tea Factory	66,804,212.70	56,498,175.00
Bonus (kabianga Factory)	932,886.80	
Total Gross Sales of Green Leaf Tea(Ksh)	68,475,439.50	65,254,579.10

- * Revenues from Kaisugu Limited arose from Duka Moja farm (KEWASCO site) where water works is being undertaken. The crop at the site covers approximately 2.5 acres. The whole crop has since been uprooted and construction of water supply infrastructure has already commenced.

7. Cost of Sales

Description	2023/2024	2022/2023
	Kshs	Kshs
Plucking	28,213,321.10	24,770,258.70
Fertilizer	3,602,529.10	3,427,108.75
Weeding	2,066,928.20	1,544,896.95
Nursery Unit	192,232.00	782,093.00
Pruning	1,674,763.30	1,694,046.05
Transport Costs	1,849,880.00	1,940,364.85
Total	37,599,653.60	34,158,768.30

Notes to the Financial Statements (Continued)

8. Finance Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest from commercial banks	246.00	262.00
Interest on staff loans	5,341.45	3,720.00
Dividends	4,173.00	10,613.80
Total	9,760.45	14,595.80

9. Other Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Water	21,470.00	
Rent	153,000.00	149,500.00
Tea Plants(Nursery)	495,620.00	814,880.00
Tree Plants(Nursery)	293,215.00	225,175.00
Coffee Sales(Kipkelion Farm)	836,436.80	1,450,359.35
Mature Trees(Grivelia)	100,000.00	-
Other miscellaneous receipts	105,480.00	47,501.10
Total	2,005,221.80	2,687,415.45

10 (a) Administration Costs.

Description	2023/2024	2022/2023
	Kshs	Kshs
Directors' emoluments	1,663,420.00	2,279,280.00
Electricity and water	779,553.70	490,325.30
Communication services and supplies	174,825.00	186,731.00
Transportation, travelling and subsistence	2,663,214.00	1,783,585.50
Advertising, printing, stationery and photocopying	249,510.50	271,843.00
Staff Training	180,000.00	-
Hospitality supplies and services	413,873.00	323,942.00
Insurance costs	311,073.20	340,265.90
Bank charges and commissions	31,835.00	70,550.00
Office and general supplies and services	361,661.00	315,940.00
Auditors' remuneration	120,000.00	120,000.00
Consultancy fees	-	-

Description	2023/2024	2022/2023
	Kshs	Kshs
Licenses and permits	1,050.00	24,800.00
Repairs and maintenance	1,856,066.00	1,525,865.00
Provision for bad and doubtful debts	-	-
Inventory Provisions	-	-
Depreciation	121,929.00	126,700.00
Amortization	-	-
Kipkelion Farm	2,052,059.00	1,517,662.85
Other operating expenses	893,440.00	593,156.00
Total	11,873,509.40	9,970,646.55

10 (b) Staff Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Salaries and allowances of permanent employees	8,697,125.90	8,983,121.90
Wages of temporary employees	5,413,460.75	5,074,348.90
Medical insurance schemes	-	-
Employer's contributions to national social security schemes	2,670,607.90	2,133,111.00
Employer's contributions to pension scheme	704,660.60	1,059,342.60
Leave pay	2,381,467.80	2,077,424.80
Gratuity Provisions	241,051.20	2,568,396.60
Back Pay	424,930.00	
Housing Levy Contribution	504,014.20	
Staff welfare	82,474.00	51,011.00
Total	21,119,792.55	21,946,757.00
The average number of employees at the end of the year was:		
Permanent employees – Management	5	6
Permanent employees – Unionisable	54	65
Temporary and contracted employees	374	361
Total	433	432

Notes to the Financial Statements (Continued)

11 .Operating Profit / (Loss)

Description	2023/2024	2022/2023
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 10 b)	21,119,792.55	21,946,757.00
Depreciation of property, plant and equipment	121,929.00	126,700.00
Amortisation of intangible assets	-	-
Provision for bad and doubtful debts	-	-
Directors' emoluments – fees	1,434,800.00	2,047,500.00
- other	228,620.00	226,980.00
Auditors' remuneration - current year fees	120,000.00	120,000.00
- prior year under-provision	(4,000.00)	11,000.00
Interest Receivable	(4,419.00)	(3,982.00)
Interest Payable	-	44,292.75
Rent receivable	(153,000)	(149,500)

12. Income Tax Expense/(Credit)

(a) Current taxation

Description	2023/2024	2022/2023
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	(91,849.10)	476,519.60
Current tax: prior year under/(over) provision		
Current year deferred tax charge		
Prior year under-provision for deferred tax		
Total	(91,849.10)	476,519.60

Notes to the Financial Statements (Continued)

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

Description	2023/2024	2022/2023
	Kshs	Kshs
Profit before taxation	(102,533.80)	1,880,418.50
Tax at the applicable tax rate of 30%	(30,760.10)	564,125.55
Current tax		
Prior year under-provision		
Tax effects of expenses not deductible for tax purposes	-	15,000.00
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	(61,088.90)	(102,605.80)
Deferred tax prior year over-provision	-	-
Total	(91,849.10)	476,519.70

Notes to the Financial Statements (Continued)

13. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year of 5,000 (2020-2021: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

14. Dividends.

During the year under review, the farm remitted Ksh. 2 million to the County Government of Kericho as Dividends. Any excess/ deficit on remitted dividends against actual surplus ascertained after closing of the books is charged/credited to revenue reserves.

Notes to the Financial Statements (Continued)

15. Property, Plant and Equipment

2024	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION	44,760,000	26,638,934	4,760,098	21,235,309	736,854	651,037	98,782,233
At July 1, 2023							
Additions							
Transfers							
Disposals							
At June 30, 2024	44,760,000	26,638,934	4,760,098	21,235,309	736,854	651,037	98,782,233
DEPRECIATION							
At July 1, 2023		26,638,934	4,666,918	21,235,309	722,604	500,750	53,764,515
Charge for the year		-	39,660	-	7,125	75,145	121,930
Impairment loss							
Eliminated on disposal							
At June 30, 2024	-	26,638,934	4,706,578	21,235,309	729,729	575,892	53,886,442
NET BOOK VALUE At June 30, 2024	44,760,000	-	53,520	-	7,125	75,145	44,895,790

Notes to the Financial Statements (Continued)

Property, Plant and Equipment

2023	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION	44,760,000	26,638,934	4,760,098	21,235,309	736,854	651,037	98,782,233
At July 1, 2022							
Additions							
Transfers							
Disposals							
At June 30, 2023	44,760,000	26,638,934	4,760,098	21,235,309	736,854	651,037	98,782,233
DEPRECIATION							
At July 1, 2022		26,634,164	4,627,258	21,135,309	715,479	425,605	53,637,815
Charge for the year		4,770	39,660		7,125	75,145	126,700
Impairment loss							
Eliminated on disposal							
At June 30, 2023		26,638,934	4,666,918	21,235,309	722,604	500,750	53,764,515
NET BOOK VALUE At June 30, 2023	44,760,000	-	93,180	-	14,250	150,287	45,017,714

Notes To The Financial Statements (Continued)

Valuation

Land and buildings were valued by Kinyua Koech Limited, Registered valuers on the basis of open market valuation on 5th July 2000. These amounts were adopted on 5th July 2000. The revaluation surplus was credited to revaluation reserve.

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Buildings	26,638,934.00	1,331,946.70
Plant and machinery	4,363,498.00	436,350.00
Motor vehicles, including motor cycles	21,235,309.00	5,308,827.00
Computers and related equipment	708,354.00	177,088.50
Office equipment, furniture and fittings	49,880.35	6,235.00
Total	52,995,975.35	7,260,447.20

16. Intangible Assets

Description	2023/2024	2022/2023
	Kshs	Kshs
COST		
At July 1	700,000.00	700,000.00
Additions	-	-
Disposals	-	-
At June 30	700,000.00	700,000.00
AMORTISATION		
At July 1	700,000.00	700,000.00
Charge for the year	-	-
Disposals		
Impairment loss		
At June 30	700,000.00	700,000.00
NET BOOK VALUE		
At June 30	-	-

Notes To The Financial Statements (Continued)

17. Biological Assets

Description	2023/2024	2022/2023
	Kshs	Kshs
COST		
At July 1 - Tea	32,890,000	32,890,000
- Timber	4,650,000	4,650,000
Net Expenditure on Biological Assets		
- Tea	-	-
- Timber	-	-
At June 30	37,540,000	37,540,000
Gains / (Losses) from changes in fair value	-	-
- Biological transformation	-	-
- Price Changes	-	-
At June 30	37,540,000	37,540,000

18. Inventories

Description	2023/2024	2022/2023
	Kshs	Kshs
Fertilizer	-	163,750.00
General Stores	62,400.00	
Nurseries	338,172.00	318,470.00
Total	400,572.00	482,220.00

19. (a) Trade and other receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade receivables (note 19 (b))	5,435,610.50	10,262,038.10
Staff receivables (note 19 (c))	419,309.15	385,484.60
Other receivables (note 19 (c))	574,005.00	574,005.00
Gross trade and other receivables	6,428,924.50	11,221,527.75
Provision for bad and doubtful receivable	(2,089,886.00)	(2,089,886.00)
Net trade and other receivables	4,339,038.50	9,131,641.75
Amounts due after one year (19 (c))	(64,420.00)	(15,670.00)
Amounts Due Within one year	4,274,618.50	9,115,971.75

Notes To The Financial Statements (Continued)

19. (b) Trade receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross trade receivables	5,435,610.50	10,262,038.10
Provision for doubtful receivables	(1,279,610.00)	(1,279,610)
Net trade receivables	4,156,600.50	8,982,428.10
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	4,350,142.60	5,944,783.70
Between 30 and 60 days	55,630.00	-
Between 61 and 90 days	16,750.00	1,520.00
Between 91 and 120 days	26,540.20	6,120.00
Over 120 days	986,547.70	4,309,614.38
Total	5,435,610.50	10,262,038.10

Reconciliation of Impairment Allowance for Trade Receivables

Description	2023-2024	2022-2023
	KShs	KShs
At the beginning of the year	1,279,610	1,279,610
Additional provisions during the year		
Recovered during the year		
Written off during the year		
At the end of the year	1,279,610	1,279,610

19 (c) Staff Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross staff loans and advances	419,309	385,483
Other Receivables	574,005	574,005
Gross Staff & Other Receivables	993,314	959,488
Provision for impairment loss	(810,276)	(810,276)
Net staff loans/Advances	183,038	149,212
Less: Amounts due within one year	(118,618)	(133,542)
Amounts due after one year	64,420	15,670

Notes To The Financial Statements (Continued)**19 (d) Reconciliation of Impairment Allowance for Staff and other Receivables**

Description	2023-2024	2022-2023
	KShs	KShs
At the beginning of the year	810,276	810,276
Additional provisions during the year		
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	810,276	810,276

20. Tax Recoverable

Description	2023/2024	2022/2023
	Kshs	Kshs
At beginning of the year	558,598	517,327
Income tax charge for the year (note 12 (b))	91,849	(476,519)
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	520,902	517,790
At end of the year	1,171,349	558,598

21. Bank and Cash Balances.

Description	2023/2024	2022/2023
	Kshs	Kshs
Cash at bank	7,355.00	157,351
Cash in hand	7,850.00	24,333
Totals	15,205.00	181,684

The bulk of cash was held at Cooperative Bank of Kenya Ltd – the company’s main bankers.

Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

Description		2023/2024	2022/2023
Financial institution	Account number	Kshs	Kshs
a) Current accounts			
KCB Bank Ltd	1118952898	6,354.00	6108
Cooperative Bank-Ksh	01136053920600	(16,032.05)	151,243
Cooperative Bank-Usd converted		17,033.20	
Sub- total		7,355.00	157,351
b) Others(specify)			
Cash in transit		-	
Cash in hand		7,850.00	24,333
Sub- total		7,850.00	24,333
Grand total		15,205	181,684

22. Ordinary Share Capital

Description	2023/2024	2022/2023
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of KShs 20 par value each	100,000.00	100,000.00
Issued and fully paid:		
5,000 ordinary shares of KShs 20 par value each	100,000.00	100,000.00

23. Revaluation Reserve

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

Notes to the financial statements (continued)

24. Fair Value Adjustment Reserve

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

25. Retained Earnings

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

26. Trade & Other Payables.

Description	2023/2024 Kshs	2022/2023 Kshs
Trade payables	629,444.25	1,460,238.35
Accrued expenses	2,559,303.10	2,548,366.10
Other payables(Payroll)	2,176,007.80	3,895,373.30
	5,364,755.10	7,903,977.75

Notes to the financial statements (continued)

27. Retirement Benefit Obligations

The company operates a defined contribution scheme for all permanent employees from November 1, 2017. The scheme is administered by LAPFUND and is funded by contributions from both the company and the employee. The Employers contribution is 15% whereas the employees contribution is 7.5 %. The Company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% of the employee's earnings capped at a maximum of Ksh. 18,000.00 per month. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

28. Provisions.

Description	2023/2024	2022/2023
	Kshs	Kshs
Balance at beginning of the year	130,876.67	130,876.67
Additional provision at end of year		
Leave paid out or utilized during the year		
Balance at end of the year	130,876.67	130,876.67
	=====	=====

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

Notes to the financial statements (continued)

29. Notes to The Statement of Cash Flows

Description	2023-2024	2022/2023
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or (loss) before tax	(102,533.80)	1,880,418.50
Depreciation	121,929.00	126,700.00
Amortization	-	-
Operating profit/(loss) before working capital changes	19,395.20	2,007,118.50
	-	-
(Increase)/decrease in inventories	81,648.00	684,945.00
(Increase)/decrease in trade and other receivables	4,792,603.00	(4,954,151.80)
Increase/(decrease) in trade and other payables	(2,550,159.70)	1,497,245.75
Increase/(decrease) in retirement benefit obligations	10,937.00	2,348,616.60
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	2,354,423.40	1,583,774.05
(b) Analysis of cash and cash equivalents		
Short term deposits		
Cash at bank	7,355	157,351
Cash in hand	7,850	24,333
Balance at end of the year	15,205	181,684

Notes to the financial statements (continued)

30. Related Party Disclosures

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

Other related parties include:

- i) The Department of Agriculture , Livestock & Fisheries Development.
- ii) Kipkelion Coffee Farm
- iii) Key management
- iv) Board of directors

Transactions with related parties

Description	2023-2024	2022-2023
	Kshs	Kshs
a) Purchases from related parties		
Purchases of electricity from KPLC	779,553.70	492,232.80
Training and conference fees paid to govt. agencies		
Total	779,553.70	492,232.80
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for Kipkelion Coffee Farm Employees	1,645,279.00	1,340,221
Payments for goods and services for Kipkelion Coffee farm	406,780.00	
Total	2,052,059.00	1,340,221
c) Key management compensation		
Directors' emoluments	1,696,950	2,274,480.
Compensation to key management	3,906,000	3,216,500
Total	5,602,950	5,490,980

Notes to the financial statements (continued)

31. Financial Risk Management

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

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

i) Credit risk

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

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

Notes to the financial statements (continued)

receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows. The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

Notes to the financial statements (continued)

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	182,069.00	201,306.00	246,069.25	629,444.25
Total	182,069.00	201,306.00	246,069.25	629,444.25
At 30 June 2023				
Trade payables	198,118.05	1,231,259.20	30,861.10	1,460,238.35
Total	198,118.05	1,231,259.20	30,861.10	1,460,238.35

iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures

Notes to the financial statements (continued)

within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

The Company has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

b) Interest rate risk.

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits. The company held no deposits as at the reporting date.

Notes to the financial statements (continued)

(iv) Capital Risk Management

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

Description	2023-2024	2022-2023
	Kshs	Kshs
Revaluation reserve	78,423,502	78,423,502
Retained earnings	4,342,818	6,412,918
Capital reserve	100,000	100,000
Total funds	82,866,320	84,936,420
Total borrowings		
Less: cash and bank balances	(15,205.15)	(181,684)
Net debt/(excess cash and cash equivalents)	82,851,114	84,754,736
Gearing		

32. Incorporation

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

33. Events after The Reporting Period.

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

34. Currency

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

APPENDICES

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.1	Lack of policy documents. -Strategic plan -Human Resource Policies -Finance and procedures manual -Casuals manual	The company to engage a consultant to guide in developing the requisite policy documents	Not Resolved	30/06/2025
4.6	Valuation of Assets	The County Government of Kericho is in the process of undertaking valuation for all its property	Not Resolved	30/06/2025
4.9	Motor Vehicles with Private Number Plates	To replace with parastatal plates when applying for new digital plates.	Not resolved	30/06/2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.10	Non Compliance with affirmative action on gender/ethnicity/ regional distribution.	No new engagements done	Not Resolved	30/06/2028.
4.12	Share Certificate	County Legal Office undertaking exercise to regularise ownership status including transitioning assets that were for County Council of Kipsigis to County Government of Kericho.	Not resolved	30/06/2026.
4.10	Long Outstanding Receivables	To develop a finance and procedures manual that shall guide in matters debt management.	Not resolved	30/06?2025
4.13	Lack of staff establishment	To have a staff establishment and have it functional	Not resolved	30/06/2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.11	Lack of Risk management strategy	To put in place a risk management strategy	Not resolved	30/06/2025
4.14	Lack of Audit Committee /Internal Audit function	To set up a budget for engaging an internal auditor in the next financial year	Not resolved	30/06/2026
4.15	KCB Bank Dormant 'A/c 1118952898'	To close the Account	Not resolved	30/06/2025.
4.16	Irregular appointment of board members	To gazette all appointed directors.	Not resolved	30/06/2025
4.17	Lack of ownership documents	To liaise with County Attorney to initiate transfer from Defunct County Council to Kabianga Tea Farm	Not Resolved	30/06/2026

Name David Sawe
 Chief Executive Officer
 Signature 
 Date 11/12/2024