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BY:

Hon. Naome Wago, CBS, MP
(Deputy Majority Whip)

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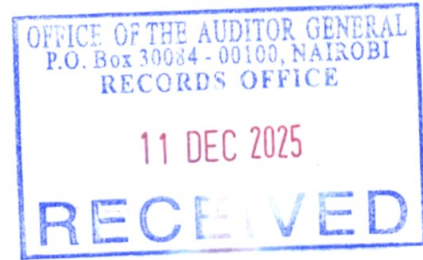
Inzofu Mwak, HSC

THE AUDITOR-GENERAL

ON

KIPCHABO TEA FACTORY LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2025**



KIPCHABO TEA FACTORY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

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



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Acronyms and Glossary of Terms

The acronyms and glossary of terms used in the annual report and financial statements are as below.

IFRS	International Financial Reporting Standards
CEO	Chief executive officer
KTF	Kipchabo Tea Factory
CSR	Corporate Social Responsibility.
NTZDC	Nyayo Tea Zones Development Corporation
ICPAK	Institute of Certified Public Accountants Kenya
PC	Performance Contract
CAGR	Compound Average Growth Rate
NTSA	National Transport and Safety Authority
JKUAT	Jomo Kenyatta University of Agriculture and Technology
EACC	Ethics and Anti-Corruption Commission
MBA	Master of Business Administration
IESE	Instituto de Estudios Superiores de la Empresa
PHD	Doctor of Philosophy
LTD	Limited
EA	East Africa
KTDA	Kenya Tea Development Agency
ICT	Information and Communication Technology
BETA	Bottom-Up Economic Transformation Agenda
HR	Human Resource
CPA	Certified Public Accountant
CTC	Cut Tear and Curl
WIBA	Work Injury Benefits Act
FDS	Factory Door Sales
ECO	Ecological
KEBS	Kenya Bureau of Standards
PFM	Public Finance Management
FY	Financial Year

2. KEY ENTITY INFORMATION

a) Background Information.

Kipchabo Tea Factory Limited is a fully owned subsidiary of Nyayo Tea Zones Development Corporation (NTZDC) established under the Companies Act of Kenya. The Factory is the first tea processing factory to be established by the Nyayo Tea Zones Development Corporation to process green leaf tea into made tea. The Nyayo Tea Zones Development Corporation was established as a state corporation under legal notice 265 of 1986 which was later revised in March 2002. Part of the corporation's mandate is to establish, manage and maintain tea processing factories and process tea. Kipchabo Tea Factory was thus established in fulfillment of this mandate.

b) Principal Activities.

The principal activity of the factory is to process Green Leaf tea from the Corporation's catchment zones and contracted out-growers. The processed green leaf is called Made tea, which is then packed and offered for sale in various markets. The bulk of manufactured tea is sold through the Mombasa Tea Auction while small quantities are sold in the local market.

c) Location

Kipchabo Tea Factory is located 15kms Southwest of Kapsabet town in Nandi County. It is 2210 meters above sea level. Its Latitude is 0° 12' 0" North and Longitude is 35° 6' 0" East. -Kaptel/Kamoiwo Ward, Chesumei Subcounty, Kombe Location, Kombe sublocation.

d) MISSION

Creating and sustaining products, markets & brands that offer acceptable customer/consumer propositions profitably

VISION

Transform our business from low to high Value

CORE VALUES

Integrity, Professionalism, Teamwork, Commitment and Respect for others.

g) DIRECTORS

The Directors who served Kipchabo Tea Factory during the period were as follows: -

Mr. Joseph Gitonga M'Limbiine – Chairperson – Appointed On April 2024

Mr. Peter K. Korir – Director – Appointed in November 2012 to November 2024

Mr. William Togom – Ag Director - Appointed in 16THNov 2024 to 31st December 2024

Dr. David Chepkwony – Director – Appointed on 1st January 2025

h) Legal Officer

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

i) Registered Office:

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

j) Corporate Headquarters:

P.O Box 48552 – 00100
Nyayo House-11Floor
Kenyatta Avenue
Nairobi, Kenya

k) Corporate Contacts

Telephone: (254) 2217489
E-mail: info@teazones.co.ke
Website: www.teazones.ke

l) Corporate Bankers:

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

m) Stanbic Bank Kenya Ltd

Kenyatta Avenue
P.O. Box 30550 00100
NAIROBI




n) Independent Auditors:

Auditor-General
The Office of the Auditor General
Anniversary Towers University Way
P.O. Box 30084-00100 GPO
NAIROBI KENYA

o) Principal Legal Advisers



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

3. The Board of Directors

1	 <p>Joseph Gitonga M'Limbiine Chairman - Board of Directors</p>	<p>Mr. Joseph Gitonga M'Limbiine born on 15/11/1971. He was appointed as an Independent Board Chair NTZDC in April 2023. He has previously served in various government Boards between 2013 and 2022 - notably Pwani University, Kisii University, NTSA and JKUAT. Mr. M'Limbiine is a lawyer by profession with over 25 years post-admission experience in the legal practice. He is currently a Senior Partner at the law firm of M'limbiine and Mungai Advocates. Mr. M'Limbiine holds an MBA in Strategic Management and a Bachelor of Laws from the University of Nairobi and a post graduate Diploma from Kenya School of Law. He is an Advocate of the High Court of Kenya and a Certified Public Secretary. He has worked at EACC, Attorney General's office, High Court Judges Tribunal and the Judges and Magistrates Vetting Board as the Assisting Counsel. He brings a lot of experience in corporate governance and law.</p>
2	 <p>Peter K. Korir – CEO</p>	<p>Mr. Peter Korir was born on 13/12/1969. He joined the board as an Executive Director in November 2012. He holds a Bachelor of Science degree in Mathematics from Egerton University and MBA (Strategic Management) from University of Nairobi. He is also a graduate of IESE Business school in Advanced Management. He has over 27 years' experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p>
3	 <p>Dr. David Chepkwony, PhD-CEO</p>	<p>Dr. Chepkwony joined the corporation in 2014 as Director Operations & Commercial and joined the board as an Executive Director on 1st January 2025 after being appointed as the Corporation's Chief Executive Officer. He holds a Bachelor of Commerce-Marketing, Masters degrees in Marketing and a PhD. Prior to joining the Corporation, he worked with Ketepa, Del Monte Kenya Ltd, Reckitt Benckiser EA Ltd & Unilever Kenya Ltd and has over 25 years' experience in sales and marketing.</p>

4. Key Management Team

1	 <p>Peter K. Korir – CEO</p>	<p>Mr. Peter Korir was born on 13/12/1969. He joined the board as an Executive Director in November 2012. He holds a Bachelor of Science degree in Mathematics from Egerton University and MBA (Strategic Management) from University of Nairobi. He is also a graduate of IESE Business school in Advanced Management. He has over 27 years' experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p>
2	 <p>Dr. David Chepkwony, PhD- CEO</p>	<p>Dr. Chepkwony joined the corporation in 2014 as Director Operations & Commercial and joined the board as an Executive Director on 1st January 2025 after being appointed as the Corporation's Chief Executive Officer. He holds a Bachelor of Commerce-Marketing, Masters degrees in Marketing and a PhD. Prior to joining the Corporation, he worked with Ketepa, Del Monte Kenya Ltd, Reckitt Benckiser EA Ltd & Unilever Kenya Ltd and has over 25 years' experience in sales and marketing.</p>
3	 <p>Samuel Njire – Director Finance & Accounts</p>	<p>Mr Samuel Njire joined the corporation in 2009 to 15th October 2024 as the Director Finance & Accounts. He holds a Bachelor of Commerce (Accounting) and MBA (Finance) degrees both from University of Nairobi. He is also a certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) – Membership No. 6527. He is responsible for overall financial stewardship of the corporation. He has over 32 years' experience in finance in both public and private institutions</p>
4	 <p>CPA Moses Wamae Wanjohi Director Finance & Accounts</p>	<p>Mr Moses Wamae joined the corporation in 2006 and was appointed as Director, Finance & Accounts effective January 2025. He holds a Bachelor of Commerce (Accounting) and MBA (Finance) degrees both from University of Nairobi. He is also a certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) – Membership No. 4362. He has held various positions in the Corporation including Deputy Director - Finance, Finance Manager – Operations and Financial Accountant. He is responsible for overall financial stewardship of the corporation. He has over 24 years' experience in finance and management in both public and private institutions</p>
5	 <p>Charles Mucheke – Director Conservation</p>	<p>Mr Charles Mucheke joined the Corporation in 2005 and is the Director Conservation. He holds a Bachelor of Science (Agriculture) and MBA (Operations Management) degrees both from University of Nairobi. He is responsible for all agronomy operations in the Corporation. Prior to joining the Corporation, he worked with KTDA and has over 31 years' experience in the tea industry.</p>

6	 <p>William Togom – Director Human Resource and Administration</p>	<p>Mr. Togom joined the corporation in 2003 and is the Director Human Resources and Administration. He holds a Bachelor of Arts degree in Anthropology. He also holds a Diploma in Human Resource Management from Kenya Institute of management (KIM). He is a member of Human Resource Management Institute of Kenya – Membership No. 03386. He has over 27 years’ experience in human resource and administration.</p>
7	 <p>Pius Kipkurui- Ag. Director Operations & Commercial</p>	<p>Mr. Pius Kipkurui joined the Corporation in 2009 and was appointed as Acting Director of Operations and Commercial Services in January 2025. He holds a Bachelor of Agricultural Economics degree from Egerton University and a Master of Business Administration degree in Strategic Management. He is responsible for operations and tea marketing in the Corporation. Prior to joining the Corporation, he worked with KTDA and Ministry of Agriculture and has over 28 years’ experience in the tea industry.</p>

5. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CEO (Upto 15 th November 2024)	Peter Korir
2.	CEO (From 1 st January 2025)	Dr. David Chepkwony, PhD
3.	Director Conservation	Charles Muccheke
4.	Director Finance and Accounts (upto 15 th Oct 2024)	Samuel Njire
5.	Director Finance and Accounts (From 16 th Oct 2024)	CPA Moses Wamae
6.	Director Human Resource and Administration	William Togom
7.	Ag Director Operations and Commercial	Pius Kipkurui

6. Fiduciary Oversight Arrangements

1. Production, Business Development & Strategy Committee:

This committee ensures that new business strategies, product developments, and operational changes are sound and aligned with the Corporation's long-term objectives. It evaluates the financial feasibility of new initiatives to ensure that resources are used efficiently, safeguarding the Corporation's financial interests. The committee assesses the potential risks of business development activities, ensuring they do not pose unnecessary financial or operational risks. When considering new products or services, the committee ensures they will deliver an acceptable return on investment and contribute to the Corporation's overall strategy.

2. Audit & Risk Management Committee:

This committee oversees the financial and risk management systems. They monitor risk management systems and ensure that the Corporation's risks, whether financial, operational, or legal—are identified, assessed and mitigated. The committee is also responsible for ensuring that internal controls are effective and that the Corporation complies with relevant laws, regulations and industry standards. In the case of financial discrepancies or audit findings, the committee ensures that corrective actions are implemented to safeguard the Corporation.

3. Finance & ICT Committee:

This committee oversees the financial health of the Corporation, ensuring that financial resources are allocated effectively and sustainably. It also monitors HR policies, ensuring fair treatment of employees and alignment with organizational goals. The committee plays a crucial role in overseeing IT systems, ensuring they are secure, efficient, and aligned with the Corporation's strategic objectives. By monitoring financial, human resource, and ICT decisions, the committee helps safeguard the Corporation's long-term success and ethical standing.

4. Human Resource Committee:

This committee oversees HR policies, ensuring fair treatment of employees and alignment with organizational goals. By monitoring human resource decisions, the committee helps safeguard the Corporation's long-term success and ethical standing.

7. Chairman's Statement

I am pleased to present to you the Annual Report and financial statements of Kipchabo Tea Factory Limited for the year ended 30 June 2025. The Factory is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation.

The Company reported a loss in the year with profitability decreasing from a loss of Ksh. 256 million in 2023/2024 to a loss of Ksh. 167 M in 2024/2025. This is attributed to reduced sales and very low auction prices in the year. There was a decline in both Volumes of green leaf received and made tea sales in the year under review comparatively with 2023/2024.

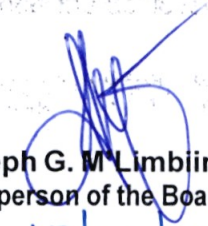
The investments made in previous years in the form of machinery and equipment helped the Company to optimize capacity utilization and increase efficiency.

In the current financial year green leaf in-take from our farms and out growers amounted to 15.2 million kgs. The Company's strategy is to enhance value addition which will increase our revenues and transfer the benefit to our farmers and communities in the Factory catchment. We have aligned our strategy to enhance the achievement of the BETA agenda, especially the pillars of manufacturing, food security and nutrition.

During the year, the Company initiated programs to empower farmers and communities in catchment in form of access to tree seedlings. This initiative will help increase trees planted and environmental conservation and in the long run improve the standards of living for the community. We have continued to work closely with the County government in improvement of access roads in the past year within the buffer zones and catchment areas.

Our tea brands continued to grow in the local market despite stiff competition and we expect to gain larger market share due to the high quality of our tea. Our sales volumes in the domestic market grew marginally.

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


Joseph G. M Limbine
Chairperson of the Board

Date..... 10/12/2025

8. Report of the Chief Executive Officer

General

I present to you the Annual Report and financial statements of Kipchabo Tea Factory Limited for the year ended 30 June 2025. The Factory is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation.

Financial Results

During the year volumes of processed tea sold decreased by 17% to 3.4 million Kgs compared to 4 million Kgs in the previous year. Revenues decreased by 18% to Ksh 719 million which was mainly attributed low sales volumes and low auction prices. Overall, the company recorded loss of Ksh167 million compared to Ksh. 256 million recorded in the previous year.

Operations

Total green leaf received by the factory was 15.2 million Kgs which is lower compared to 18.5 million Kgs in the previous year. Out of the total green leaf received, out-growers contribution was 56.9% while the rest was collected from Nyayo Tea Zones buffer zones which form part of the catchment and include Nandi North, Nandi South and Kakamega.

One of the key challenges in 2024/2025 Financial year was depressed auction tea prices and it contributed to huge losses. Poor road network within the catchment zones contributed to the logistical challenges of leaf collection especially with the heavy rains during the period under review and translating into high motor vehicle maintenance costs.

Improvement in road networks will take time as limited maintenance was extended from the County Government due to cashflow challenges.

The Corporation will keep on working closely with the various County Government regarding road repairs in the catchment zones. We are only able to do minimal bits of the roads due to our constrained cash inflows.

Resultant from the low volumes of green leaf processed tea volumes reduced by 17.5% to 3 million Kgs compared to the previous.

Future Outlook

Tea prices in the global market are expected to improve in future and this will boost the company's revenues. However global geopolitics including political instability and the Russia/Ukraine conflict and COVID-19 which is still being felt in the export market will continue to impact on the prices of tea globally. As a result of this, the company projects to grow its local market share to complement the export market.

Appreciation

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



Dr. David Chepkwony, PhD
Chief Executive Officer

Date

10/12/2025

9. Statement of Performance against Predetermined Objectives for FY 2024/2025.

Section 81 Subsection 2(f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statements, a statement of the national government entity's performance against predetermined objectives.

Kipchabo Tea Factory has four strategic pillars and objectives within the last strategic plan for the financial year FY 2024/2025 which was adopted in from the long-term strategic direction of the board. These strategic pillars are: -

1. Expand our conservation footprint and sensitization drive.
2. Sustainably support livelihoods through tea.
3. Improve and leverage our stakeholder engagement.
4. Build a sustainable Organization.

Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
1. Expand our conservation footprint and sensitization drive.	Exploit all prioritized, high returns. 'Conservation associated' branding opportunities	Grow our Commercial Unit revenues and profits by 5-year CAGRs of 45% and 124% to Kes,870Mn and Kes 151Mn respectively	Develop and launch/Relaunch a 'Conservation' positioned packaged Tea Brand – Eco Tea – and market locally and internationally, including to the local International Community and Institutions.	Auction teas Sold in 'product Of conservation packaging Recently recategorized as Natural Forest Conservation catalogue
2. Sustainably support livelihoods through tea.	Accelerate Packaged Tea growth and market share led locally.	Grow the NTZDC market share by 5% by end FY2025	Expand NTZDC volume sales of value-added teas to 3.02MnKgs of packaged Tea by end 2025 led by brand Eco	67,399 Kgs of Packaged Tea Increase sales Compared with 2023/2024 sales
			Portfolio expansion to cater to changing Consumer preferences	Number of New Brands, Variants, Pack-sizes

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	Establish a	Create Trade	Develop a	Signed-off and
3. Improve and leverage our stakeholder engagement.	collaborative and mutually beneficial relationship with our trade partners	relationships that support delivery of organization's Commercial goals	Commercial Stakeholder Engagement strategy with focus on key/critical stakeholders	Responsibility assigned Strategy
		Enhance Customer service to ameliorate experience with our Brands, in support of Trade expansion.	Institute periodic and formal engagement initiatives with Trade partners at Regional and National levels to build lasting relationships.	Customer Satisfaction score of >85%
4. Build a Sustainable Organisation.	Build a sustainable Commercial organization by investing in our people, capacity, processes and systems.	Right staff, in right roles, equipped and trained right to deliver Commercial goals.	Ensure Staff trained in necessary skills to support delivery of Organisation's goal.	Limited cash Inflows limited the achievement.
			Ensure Staff are provided with the necessary Tools to deliver the Organisation's goals.	

10. CORPORATE GOVERNANCE STATEMENT

The Corporation is committed to ensuring compliance with the principles of corporate governance as enshrined in the Constitution of Kenya 2010, the State Corporations Act, Cap 446, Tea Act 2020 and the *Mwongozo* Code of Conduct for State Corporations. The Corporation conducted its operations in adherence to the principles of Corporate Governance such as transparency and disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship.

Please Note that the board of Nyayo Tea Zones Development Corporation is the same Board that serves Kipchabo Tea factory & Gatitu Tea Factory which collectively are wholly owned by Nyayo Tea Zones Development corporation.

The Board has established a Board Charter that guides its operations and on an annual basis, sets performance targets through a work plan. In compliance with the provisions of the *Mwongozo*, a Board evaluation was carried out by the State Corporations Advisory Committee.

The following members exited the Board during the financial year following expiry of their term, Mr Raymond Kemei, Mr Andrew Karumbo, Mr Andrew Nyanchonga, Mr Leonard Kubok and Ms Joyce Njogu.

The following members joined the board during the financial year following their appointment CPA Isabella Koga, Mr Patrice Jomo Chumba, Mr Geoffrey Wachira Mahinda, Mr Malika Ali Omar and Mr John Karanja Kamau.

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

The board has established 4 committees, namely (i) Production, Business Development & Strategy Committee (ii) Audit & Risk Management Committee (iii) Finance & ICT Committee and (iv) Human Resources Committee. Each committee meets at least once every quarter before tabling their reports to the full board.

Below is the composition of Board Committees.

		Audit & Risk Management	Production, Business Development & Strategy	Finance & ICT	Human Resource
1	Chairperson	Raymond Kemei	Joyce Njogu	Andrew Karumbo	Andrew Nyanchoga
2	Member	Joyce Njogu	Andrew Karumbo	Andrew Nyanchoga	Andrew Karumbo
3	Member	Isabella Koga	Andrew Nyanchoga	Joyce Njogu	Isabella Koga
4	Member	Leonard Kubok	Isabella Koga	Isabella Koga	Leonard Kubok
5	Member	Beatrice Bariu	Leonard Kubok	Leonard Kubok	Beatrice Bariu
6	Member	Obote Evans	Beatrice Bariu	Beatrice Bariu	Obote Evans
7	Member	Paul Kiprop	Obote Evans	Obote Evans	Raymond Kemei
8	Member		Paul Kiprop	Paul Kiprop	
9	Member			Raymond Kemei	

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During the financial year, 39 Board meetings were held 9 of which were consultative and PC related (not summarized), the attendance is summarized below.

S/NO.	NAME	ATTENDANCE
Full Board		
1	Joseph G. M'limbine	12/12
2	Peter K. Korir	7/12
3	Andrew Nyanchoga	12/12
4	Raymond Kemei	11/12
5	Andrew Karumbo	12/12
6	Paul Kiprop	12/12
7	Joyce Njogu	12/12
8	Obote Evans	12/12
9	Leonard Kubok	9/12
10	Beatrice Bariu	12/12
11	Isabella Koga	0
12	William Togom	2/12
13	David Chepkwony	3/12
Finance & ICT Committee		
1	Peter K. Korir	2/4
2	Andrew Nyanchoga	1/4
3	Andrew Karumbo	4/4
4	Joyce Njogu	1/4
5	Isabella Koga	2/4
6	Leonard Kubok	2/4
7	Beatrice Bariu	3/4
8	Obote Evans	4/4
9	Paul Kiprop	1/4
10	Raymond Kemei	1/4
11	David Chepkwony	2/4
Production, Business Development & Strategy Committee		
1	Peter K. Korir	2/4
2	Andrew Nyanchoga	4/4
3	Andrew Karumbo	1/4
4	Joyce Njogu	4/4
5	Isabella Koga	2/4
6	Leonard Kubok	2/4
7	Beatrice Bariu	1/4
8	Obote Evans	1/4
9	Paul Kiprop	4/4
10	David Chepkwony	2/4
Audit & Risk Management Committee		
1	Raymond Kemei	4/4
2	Joyce Njogu	3/4
3	Isabella Koga	1/4
4	Leonard Kubok	2/4
5	Beatrice Bariu	1/4
6	Obote Evans	4/4
7	Peter K. Korir	2/4
8	Paul Kiprop	4/4
9	David Chepkwony	2/4

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Human Resource Committee		
1	Raymond Kemei	6/6
2	Andrew Karumbo	6/6
3	Isabella Koga	2/6
4	Leonard Kubok	3/6
5	Beatrice Bariu	6/6
6	Obote Evans	5/6
7	Peter K. Korir	4/6
8	Andrew Nyanchoga	6/6
9	David Chepkwony	2/6

Appointment of Board Members:

The Cabinet Secretary, Ministry of Agriculture and Livestock Development appoints the Board Members. The Chairman is appointed by the President of the Republic. Every appointment is done by name and by notice in the Kenya Gazette. Appointments cease if a member:

- (a) Serves the appointing authority with a written notice of resignation; or
- (b) Is absent, without the permission of the Chairperson, for three consecutive meetings; or
- (c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
- (d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
- (e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.

- (f) Any removal of a Board Member shall be through formal revocation.
- (g) The Corporation Secretary ensures that a record of the appointment letters, gazette notice and written acceptance by the Board member are kept in personal file of the Board Member.

Roles of the Board

The roles and functions of the board include the following.

- a) To oversee the implementation of the Corporations' mission, vision, purpose and core values through various programs.
- b) To Exercise their role collectively, not individually
- c) To set and oversee the overall strategy and approve significant policies of the Corporation.
- d) To review, Evaluate and approve, on a regular basis, long-term plans for Corporation.
- e) To review and evaluate and approve Corporation's budget and financial forecasts.
- f) To review and evaluate and approve major resource allocation and capital investments.
- g) To ensure that the procurement processes were cost -effective and delivered value for money.
- h) To review and approve the operating and financial results of the Corporation.
- i) To ensure effective, accurate, timely, and transparent disclosure of pertinent information on the Corporation's operations and performance.
- j) To Adopt, implement and Monitor compliance with the Corporation's Codes of Conduct and Ethics.
- k) To Review, evaluate and approve the Overall Corporation's structure, the assignment of senior management responsibilities and plans for senior management development and succession.

Conflicts of interest

The *Mwongozo* code of governance for State Corporations, the Leadership and Integrity Act, Public Officers Ethics Act and other relevant laws have set standards on the management of conflict of interest. The Corporation is in compliance with the requirements set out in the code and the relevant laws. The Directors are required to disclose their areas of conflict. Directors are required to refrain from contributing to or voting on matters in which they have such conflict or influence a decision with respect to such a matter. The Corporation also maintains a register to record conflict of interest.

Board Remuneration

The Board of the Corporation recommended the remuneration and sitting allowances paid to the Chairman and members of the Board in line with the currently prevailing government guidelines on payment of remuneration and allowances for Board members. The Chairman and Board were therefore paid sitting allowance and other allowances in line with the guidelines.

Ethics and conduct and Governance Audit.

The Corporation has adopted high standards and applies strict rules of conduct, based on the best corporate practices. The Board continued to adhere to good corporate governance by embracing the following principles;

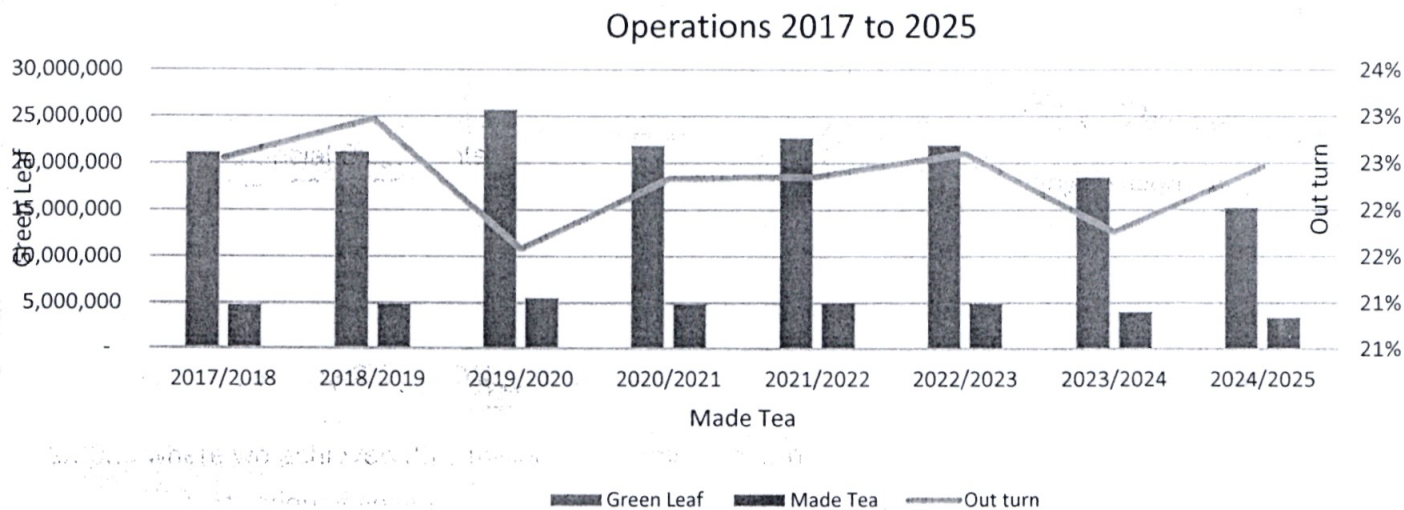
- a) Observing high standards of ethical and moral behavior
- b) Acting in the best interests of the organization
- c) Remunerating and promoting staff fairly and responsibly
- d) Ensuring that the Corporation acts as a good corporate citizen.

Succession plan

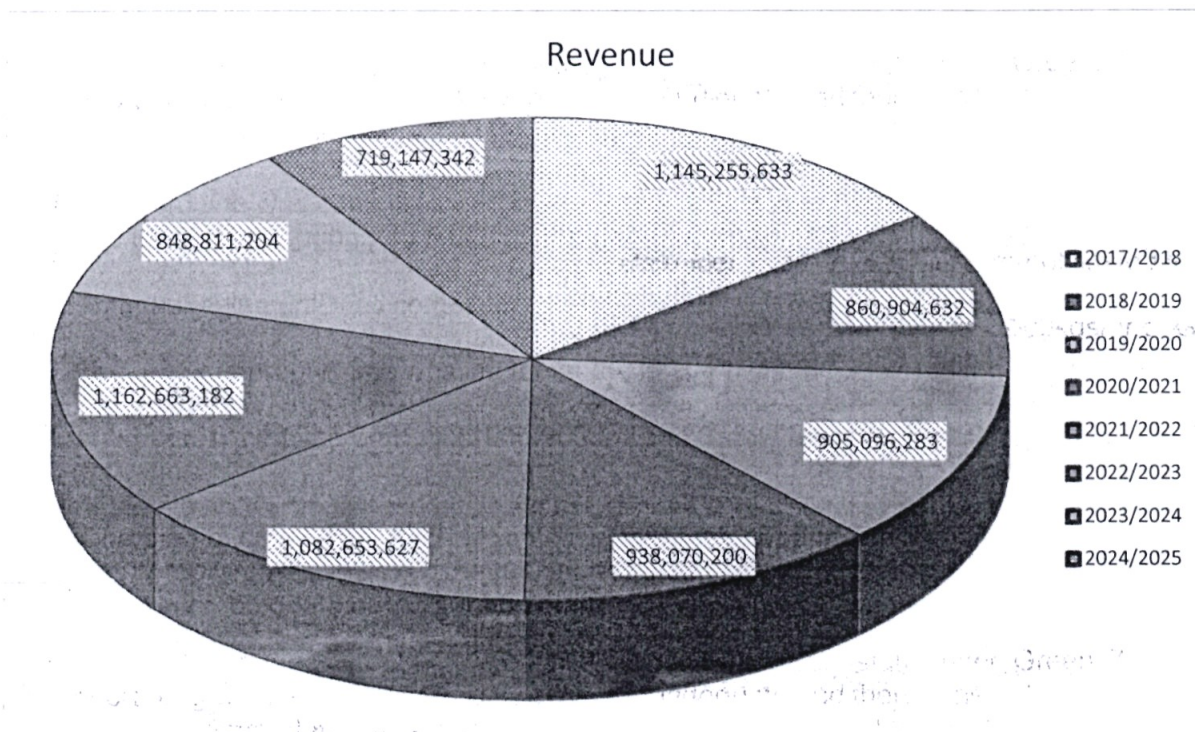
Board members shall hold office for a period not exceeding three (3) years and are eligible for reappointment for one term not exceeding 3 years. The renewal of a Board member tenure for a second term is subject to an acceptable evaluation as determined during the Board evaluation.

11. MANAGEMENT DISCUSSION AND ANALYSIS

Kipchabo factory has almost been consistent in terms of green leaf and made tea production save for 2019/2020 where we achieved 25.6 million Kilograms of green leaf and 5.5 million Kilograms of Made tea. The graphical illustration of volume performance over the last few years is demonstrated in the graph below.



The revenues over the years is as per pie chart below.



Over the years, some of the completed projects undertaken include and are not limited to the following:

1. The third line was commissioned in April 2019 with cutting capacity of 2,000kgs/hr of Greenleaf. This raised the total throughput to 5,000kgs/hr of the factory.
2. The packaging unit was completed in 2014.
3. Out-growers programme was implemented in 2014 with a registered farmer base of 3,355 farmers.
4. The Factory certified on ISO 22000:2005 -Food Safety Management System and Rainforest Alliance Certification.
5. Completed development of 11 housing units for support staff under Green Zones Development support programme. However, the houses are inadequate and there is need to develop 10 more units in future to accommodate all the support staff.
6. Undertaken withering expansion (continuous withering) and completed.
7. Installation and operationalization of weigh bridge.

12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

(i) Sustainability Strategy & Profile

The main mandate of KTF is to collect green leaf tea from the catchment zones and contracted farmers, process the same into black CTC tea, sell the same in the Mombasa auction and locally. The local sales have been minimal due to competition from the already established organizations.

Sustainability is at the core of NTZDC and Kipchabo Tea factory. The Buffer zone management is a long-term intervention aimed at bringing about a transition to sustainability, in four dimensions: Ecological, Social, Institutional and Financial & Economic sustainability. i) Ecological sustainability - which concerns using natural resources in a way which does not reduce their future use potential or impair the long-term viability of the species. ii) social sustainability - which concerns the ability of contracting communities to sustain their obligations as set out in collaborative agreements. Social acceptability is an important criterion in this aspect. iii) Institutional sustainability - which concerns the managing authority's ability to meet conservation obligations, etc. iv) Financial and economic sustainability - a state in which resources are managed to maintain productive opportunities for the future and whereby natural capital stock is non-declining through time. Establishing buffer zones to better preserve conservation areas is by all means a sustainable economic activity coupled with value addition through tea processing via Kipchabo factory.

(ii) Environmental Performance

Being a Rainforest Alliance certified institution, Kipchabo factory undertakes a number of environmental conservation activities not only for compliance but also in keeping with the conservation core mandate of the mother company, NTZDC. This includes Ecosystem Conservation through seedlings donation to surrounding communities and tree-planting drives in the environmentally sensitive areas in partnership with out-grower farmers and local institutions including churches, schools and dispensaries.

(iii) Employee Welfare

Kipchabo Tea Factory complies with the prescribed gender balance policy of 70:30% as recommended in the constitution of Kenya. Other policies actively implemented by the factory include Occupational Health and Safety, and provision of insurance cover against injuries and fire incidents (WIBA).

In addition, the factory pays overtime work on a voluntary basis and according to employment laws to ensure a working week of less than 60 hours. As a routine activity, the factory conducts an education programme for employees and outgrower farmers on environmental conservation.

(iv) Market Place Practices

The factory processes, packages and sells high quality teas through the auction and local market. Some of the brands include Kipchabo mark sold in Mombasa Tea auction while Chabo, Kipchabo FDS and Eco Standard sold in the local market. Kipchabo Tea Factory is ISO 22000:2005 certified and assures customers the highest standards in processing and packing of its tea.

Kipchabo mark sold through the auction is regulated by EATTA while products sold in the local market are priced to cater for all market segments and regulated by KEBS.

Local products are distributed using local traders and customers and the corporation practices responsible marketing in its advertising and promotional activities.

Corporate Social Responsibility

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

Various CSR activities have been implemented including: -

- i. Bursary scheme to support bright and needy students in secondary schooling from the factory catchment zones. The Corporation is currently sponsoring a total of 12 students under this education scheme.



Students receive school fees cheques at Kipchabo factory in January 2025

- ii. The factory has also supported community water projects in its areas of operation, including Kombe Dispensary water project at Kipchabo factory catchment in Nandi County.

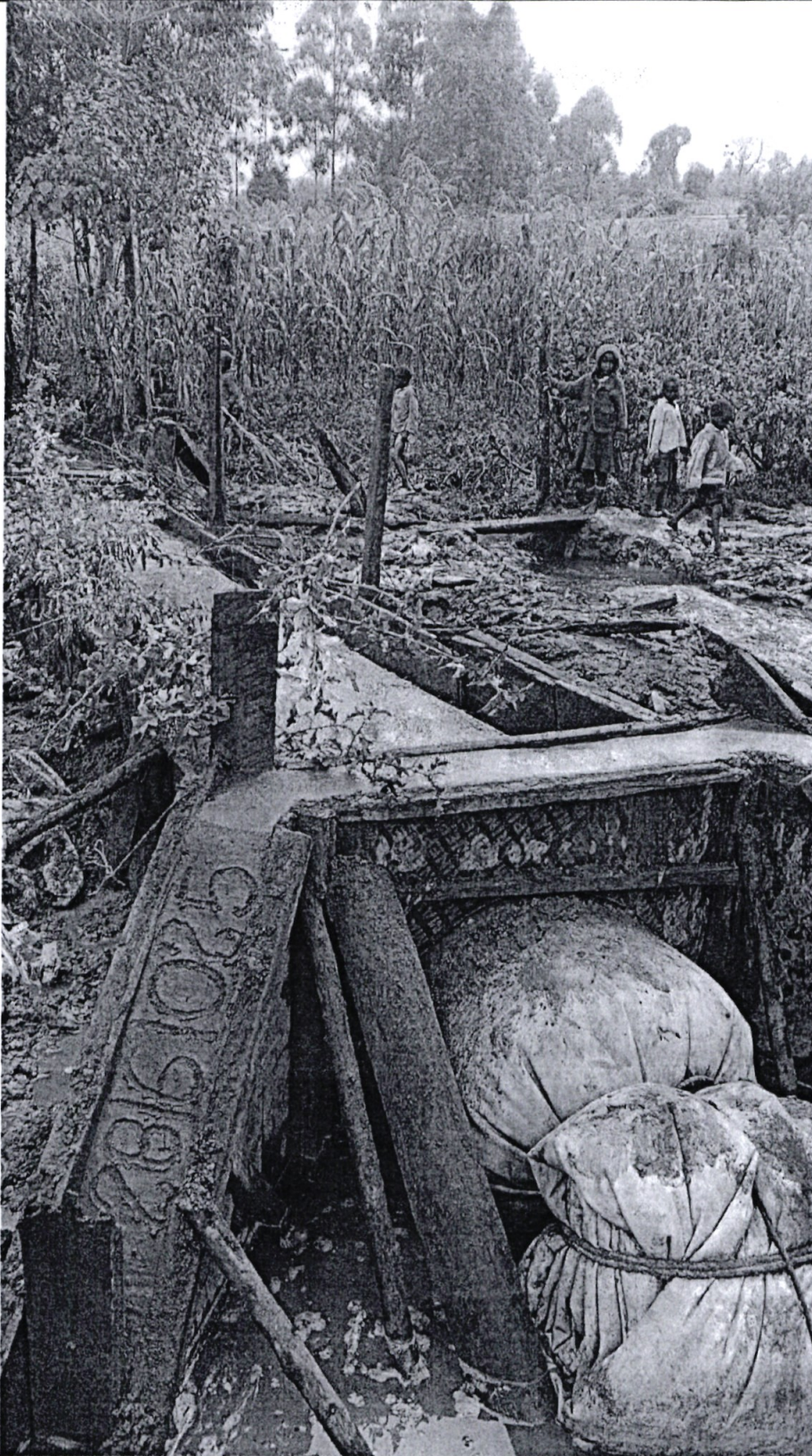


Kombe water project (Water Tank Foundation).

- iii. The factory also upgrades and maintains rural access roads in the zones where it operates. This has improved local transport, opened trading centers in the zones and enabled farmers' access to markets with their farm produce.



Road repair works in Kipchabo Catchment Nandi County.



Culvert construction at Kapchepkok in Nandi County.

- iv. In addition, the factory has supported re-forestation projects through tree seedlings donations which are distributed in the factory catchment.

13. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2025, which disclose the state of affairs of the Corporation. The Board is responsible for the preparation and fair presentation of the Financial Statements in accordance to IFRS framework.

(i) Dividends

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

(ii) Incorporation

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

(iii) Principal Activity

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

(iv) Results

	2024/2025 (Ksh)	2023/2024 (Ksh)
Profit /(Loss) before tax	(167,806,515)	(256,913,296)
Net Profit/ (Loss) for the year	<u>(167,806,515)</u>	<u>(256,913,296)</u>

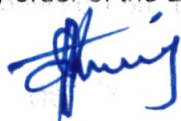
(v) Directors

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

(vi) Auditors

The Auditor-General is responsible for the statutory audit of Kipchabo Tea Factory Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By order of the Board



Dr. David Chepkwony, PhD
Chief Executive Officer

Date..... 10/12/25

14. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Corporations financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Corporation, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

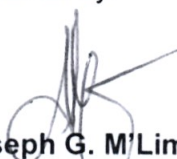
The Directors responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the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

The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2025, and of the Corporations's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the entity 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 Kipchabo financial statements were approved by the Board on 10/12/2025 and signed on its behalf by:


Joseph G. M'Limbiine
Chairperson of the Board

Date: 10/12/2025


Dr. David Chepkwony, PhD
Chief Executive Officer

Date: 10/12/2025

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON KIPCHABO TEA FACTORY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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

Opinion

I have audited the accompanying financial statements of Kipchabo Tea Factory Limited set out on pages 1 to 12, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other comprehensive income, statement of financial performance, 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, the financial statements present fairly, in all material respects, the financial position of Kipchabo Tea Factory Limited as at 30 June, 2025 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 Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kipchabo Tea Factory Limited Management in accordance with ISSAI 130 on 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 opinion.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.903,392,067 and Kshs.726,546,592 respectively, resulting in under-funding of Kshs.176,845,475 or 20% of the budget. Similarly, the Factory spent Kshs.894,803,107 against actual receipts of Kshs.726,546,592 resulting in over-utilization of Kshs.168,256,515 or 23% of the actual receipts.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Significant Decline in Revenue

The statement of profit or loss and other comprehensive income reflects gross revenue of Kshs.719,242,063 as at 30 June, 2025. Review of the revenue records provided for audit and comparison of the revenue collection for the current financial year and the previous financial year revealed that revenue collection declined by Kshs.129,569,141 from revenue collection of Kshs.848,811,204 in financial year 2023/2024 down to Kshs.719,242,063 in financial year 2024/2025 representing a reduction of revenue collection by 15%.

3. Increase in Trade Payable

The statement of financial position reflects current liabilities of Kshs.623,301,185 as at 30 June, 2025 as disclosed in Note 7 to the financial statements. Review of Note 7 to the financial statements revealed that the entity's trade and other payables increased from Kshs.402,809,081 in the financial year 2023/2024 to

Kshs.623,301,185 in the financial year 2024/2025 reflecting an increase of Kshs.220,492,104 or 55%.

The increase in payables without corresponding growth in operations or revenue raises concerns regarding the entity's ability to meet its obligations if and when they fall due.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Information

The Board Management is responsible for the Other Information set out on page iii to xxix which comprise of Key Entity 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, Statement of Directors Responsibilities, Statement of Performance against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon

In connection with my audit on the Factory'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 effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non – Compliance with the Public Procurement Capacity Building Levy Order

Management has not provided evidence to confirm that the Factory complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 also requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Conclusion

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 page xxviii is consistent with the financial statements; and

- iii. The auditable part of the Directors' remuneration has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

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 Factory'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 the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal 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 Factory'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 is responsible for overseeing the Factory'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 of 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

18 December, 2025

16. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2025

	Notes	2024/2025 Kshs	2023/2024 Kshs
Revenue	2 (a)	719,242,063	848,811,204
Cost of Sales	2 (b)	(720,470,051)	(905,252,102)
Gross Profit		(1,227,988)	(56,440,898)
Administrative Expenses	2 (c)	(26,656,552)	(45,234,140)
Other Operating Expenses	2 (d)	(61,328,841)	(62,341,069)
Employment Expenses	2 (e)	(84,694,232)	(90,229,271)
Operating Profit Before finance Costs		(172,679,625)	(197,804,480)
		(173,907,613)	(254,245,378)
Finance Costs	2 (f)	-	-
Profit before Exceptional Item		(173,907,613)	(254,245,378)
Other income/(Exchange Loss)	2(g)	6,101,098	(2,667,918)
Net profit/(loss) for the year		(167,806,515)	(256,913,296)

17. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Notes	2024/2025 Ksh.	2023 Ksh.
NON - CURRENT ASSETS			
Property, Plant & Equipment	3	510,871,040	567,562,420
CURRENT ASSETS			
Inventories	4	65,508,618	112,735,979
Trade Receivables	6	478,693,299	319,031,751
Cash & Bank Balances	5	4,740,622	7,797,840
TOTAL CURRENT ASSETS		548,942,538	439,565,569
TOTAL ASSETS		1,059,813,578	1,007,127,989
EQUITIES & LIABILITIES			
Ordinary Shares	8	100,000	100,000
Share Premium	8	809,171,518	809,171,518
Accumulated Profit	8	(372,759,126)	(204,952,610)
		436,512,392	604,318,908
TRADE & OTHER PAYABLES	7	623,301,185	402,809,081
TOTAL EQUITY AND LIABILITIES		1,059,813,578	1,007,127,989

The financial statements were approved by the Board of Directors on 10/12/2025 and signed on its behalf by:



Dr. David Chepkwony, PhD
 Chief Executive Officer



CPA Moses Wamae
 Director Finance & Accounts
 ICPAK M/NO. 4362



Joseph G. M'Limbiine
 Chairperson of the Board

18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2025

<u>2024/2025</u>	Accumulated Fund Kshs	Revenue Reserves Kshs	Total Kshs
Shareholders Funds	809,271,518	37,886,933	847,158,451
Net Profit/(Loss) for the year		(5,117,657)	(5,117,657)
As at 30th June 2021	<u>809,271,518</u>	<u>32,769,276</u>	<u>842,040,794</u>
	-	-	-
	809,271,518	32,769,276	842,040,794
Net Profit/(Loss) for the year		1,519,579	1,519,579
As at 30th June 2022	<u>809,271,518</u>	<u>34,288,855</u>	<u>843,560,373</u>
	-	-	-
Net Profit/(Loss) for the year		17,671,833	17,671,833
As at 30th Jun 2023	<u>809,271,518</u>	<u>51,960,688</u>	<u>861,232,206</u>
Net Profit/(Loss) for the year		(256,913,296)	(256,913,296)
As at 30th Jun 2024	<u>809,271,518</u>	<u>(204,952,609)</u>	<u>604,318,909</u>
Net Profit/(Loss) for the year		(167,806,515)	(167,806,515)
As at 30th Jun 2025	<u>809,271,518</u>	<u>(372,759,124)</u>	<u>436,512,394</u>

19. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2025

	Note	2024/2025 Kshs	2023/2024 Kshs
Cashflow from Operating Activities			
Operating Profit (Loss)		(167,806,515)	(256,913,296)
Exchange gain		6,101,098	(2,667,918)
Depreciation of Fixed Assets	2 (d)	58,335,380	58,919,390
Transfer of work in progress to parent Company			
Profit Before Working Capital Changes		(103,370,037)	(200,661,825)
Decrease / (Increase) in Debtors & Prepayments	6	(159,661,548)	(49,354,146)
Increase / (Decrease) in Creditors & Accruals	7	220,492,104	204,193,745
Decrease / (Increase) Increase in Stock	4	47,227,361	47,256,779
Net Changes in working Capital		108,057,917	202,096,378
Net Cash Generated from Operating Activities		4,687,880	1,434,553
Cashflows used in Investing Activities			
Purchase of Fixed Assets	3	(1,644,000)	(9,697,425)
Net Cash (Used) in Investing Activities		(1,644,000)	(9,697,425)
Net Increase in Cash and Cash Equivalents		3,043,880	(8,262,872)
Other Income	2(g)	(6,101,098)	-
Total decrease in Cash and Cash Equivalents		(3,057,218)	-
Movement in Cash and Cash Equivalents			
At 1st July 2024		7,797,840	13,392,794
Other Income		-	2,667,918
Increase/(Decrease) in the year		(3,057,218)	(8,262,872)
At 30th Jun 2025	5	4,740,622	7,797,840

Kipchabo Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation	Remarks
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue							
Sale of goods	1,574,862,123	671,470,056	903,392,067	719,242,063	(184,150,004)	80%	Weather was not as predicted and Auction prices declined in the period
Finance Interest Income	-	-	-	116,353	116,353		
Exchange gain/loss	-	-	-	7,188,176	7,188,176		
Total Income	1,574,862,123	671,470,056	903,392,067	726,546,592	(176,845,475)	80%	Weather was not as predicted and Auction prices declined in the period
Expenditure							
Green Leaf Intake	927,152,014	490,929,826	436,222,188	435,407,888	814,300	100%	
Other factory operating expenses	31,845,853	(4,000,000)	35,845,853	35,343,345	502,508	99%	
Factory Materials & Consumables	4,080,000	2,592,484	1,487,516	1,487,516	-	100%	
Motor Vehicle & Generator Fuel	100,074,659	26,456,353	73,618,306	72,440,739	1,177,567	98%	
Electricity	86,538,882	21,529,723	65,009,159	64,395,693	613,467	99%	
Factory running expenses	30,179,437	377,260	29,802,177	28,325,713	1,476,465	95%	
Fuelwood	53,175,080	16,000,000	37,175,080	36,825,400	349,680	99%	
Manufacturing Labour	43,266,797	19,734,000	23,532,797	22,568,548	964,249	96%	
Transport of finished tea	26,070,982	14,000,000	12,070,982	11,928,239	142,743	99%	
Warehousing	16,043,681	7,000,000	9,043,681	8,491,486	552,195	94%	
Brokerage and Catalogue fee	10,419,277	6,000,000	4,419,277	4,354,118	65,159	99%	
Advertising Marketing & Publicity	13,000,000	11,700,000	1,300,000	1,225,077	74,923	94%	
Bank charges	1,800,000	600,000	1,200,000	1,196,192	3,808	100%	
Insurance	5,837,109	2,000,000	3,837,109	3,117,572	719,537	81%	Some assets were not purchased as had been predicted
Other administrative expenses	33,901,287	11,000,000	22,901,287	21,117,711	1,783,576	92%	Administrative costs were lower during the period
Corporate Tax	-	-	-	1,653,431	(1,653,431)		This was tax from locally sold teas
Security	2,758,110	-	2,758,110	1,894,828	863,282	69%	The foreseen security enhancement did not take place
Depreciation	77,070,331	18,000,000	59,070,331	58,335,380	734,951	99%	
Salaries and wages	83,002,511	(1,000,000)	84,002,511	84,694,232	(691,721)	101%	
Total Expenditure	1,546,216,011	642,919,645	903,296,366	894,803,107	8,493,259	99%	
Surplus for the period	28,646,112		95,701	(168,256,515)	168,352,217		

21. NOTES TO THE Financial Statements

1(a). General Information

KTF is established by and derives its authority and accountability from Company's Act. The entity is a wholly owned subsidiary of NTZDC and is domiciled in Kenya. The principal activity of KTF is to process green leaf tea to CTC tea for auction and local sales.

1(b) Statement of compliance and basis of preparation

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

1(c) 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 2025.

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 entity 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 recognize 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.
Amendment 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 entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity 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.

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

(iii) Early adoption of standards

Kipchabo Tea Factory did not early adopt any new or amended standard in the financial year.

1(d) Summary of Accounting Policies

i) Revenue Recognition

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

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

ii) Property Plant & Equipment

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

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

iii) Depreciation and impairment of property, plant and equipment

Depreciation is calculated on a straight-line basis, at annual rates estimated to write-off the assets over their expected useful lives.

The annual depreciation rates in use are: -

Buildings	2%	Equipment	25%
Machinery	6.65%	Computer & accessories	33.33%
Furniture & Fixtures	12.5%	Motor Vehicles	20%

iv) Inventories

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

v) Trade and other receivables

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

vi) Accrued expenses – specific and general provisions.

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

Vii) Financial risk management

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

Viii) Related Party disclosures

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

1 e) . Significant Judgements and sources of Estimation Uncertainty

(i) Useful lives and residual values

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

- . The condition of the assets based on assessment of experts employed by the factory.
- . 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.

ii) Provisions

Provisions were raised and management determined an estimate based on the information available. 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. The only provision in our books is provision for audit fee.

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	2024/2025 Kshs	2023/2024 Kshs
2 (a) Revenue		
Sale of Finished Tea	719,242,063	848,811,204
	719,242,063	848,811,204
2 (b) Cost of Sales		
Opening Stock	-	-
Green Leaf Intake	435,407,888	563,490,063
Other factory operating expenses	34,713,087	61,276,813
Factory Materials & Consumables	1,487,516	3,392,228
Motor Vehicle & Lubricants	72,440,739	63,449,871
Electricity	63,927,317	85,637,804
Factory running expenses	28,325,713	23,295,472
Fuelwood & Genset Fuel	36,825,400	45,064,271
Manufacturing Labour	22,568,548	27,061,418
Transport of finished tea	11,928,239	16,385,727
Warehousing	8,491,486	10,733,615
Brokerage and Catalogue fee	4,354,118	5,464,819
Less Closing Stock	-	-
	720,470,051	905,252,102
2 (c) Administrative Expenses		
Advertising Marketing & Publicity	1,225,077	3,941,016
Bank charges	1,196,192	1,106,452
Insurance	3,117,572	3,844,676
Other administrative expenses	21,117,711	36,341,996
	26,656,552	45,234,140
2 (d) Other Operating expenses		
Light & Water	468,376	866,345
Repairs & Maintenance	630,258	803,955
Security	1,894,828	1,751,380
Depreciation	58,335,380	58,919,390
	61,328,841	62,341,069
2 (e) Employment Expenses		
Salaries and Wages	44,381,942	46,165,035
House Allowance	8,775,600	8,546,000
Leave Allowance	1,084,317	1,110,940
Commuter and other Allowances	12,336,228	9,574,173
Medical Expense	11,127,878	18,942,798
Staff Welfare	-	-
Social Security Expense	6,988,267	5,890,324
Total Employment Expenses	84,694,232	90,229,271
2 (g) Other income		
Miscellaneous Income	7,690,440	-
Interest Income	116,353	245,557
Economic Rent	450,000	-
Exchange Gain/ (Loss)	(502,264)	(2,913,475)
Corporate Tax	(1,653,431)	(2,667,918)
	6,101,098	26,624,955

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Note 3

	Land Kshs	Work-in-Progress Kshs	Factory Buildings Kshs	Factory Machinery Kshs	Furniture & Fixtures Kshs	Office Equipment Kshs	Computers & Accessories Kshs	Motor Cycles Kshs	Motor Vehicles Kshs	Total Kshs
2024/2025										
Cost										
Costs at 1st Jul 2024	8,044,682	1,619,820	495,547,937	659,601,522	4,193,349	2,048,042	20,439,496	543,638	121,149,319	1,313,187,806
Additions	-	-	-	1,644,000	-	-	-	-	-	1,644,000
30th June 2024	8,044,682	1,619,820	495,547,937	661,245,522	4,193,349	2,048,042	20,439,496	543,638	121,149,319	1,314,831,806
Cum Deprn 1st Jul 2024	-	-	128,071,781	478,855,413	4,137,930	2,048,042	19,460,482	43,564	113,008,174	745,625,386
Charge for the year	-	-	9,910,959	43,972,827	55,419	-	489,434	108,728	3,798,014	58,335,380
30th June 2025	-	-	137,982,740	522,828,240	4,193,349	2,048,042	19,949,916	152,291	116,806,188	803,960,766
Net Book Value										
30th June 2025	8,044,682	1,619,820	357,565,197	138,417,282	(0)	1	489,581	391,347	4,343,131	510,871,040
30th June 2024	8,044,682	1,619,820	367,476,156	180,746,110	55,419	1	979,014	500,074	8,141,145	567,562,420
2023/2024										
Costs at 1st Jul 2023	8,044,682	1,619,820	487,862,599	659,601,522	4,193,349	2,048,042	18,971,048	-	121,149,319	1,303,490,381
Additions	-	-	7,685,338	-	-	-	1,468,448	543,638	-	9,697,425
30th June 2024	8,044,682	1,619,820	495,547,937	659,601,522	4,193,349	2,048,042	20,439,496	543,638	121,149,319	1,313,187,806
Cum Deprn 1st Jul 2023	-	-	118,160,826	434,991,911	4,082,511	2,048,042	18,694,987	-	108,727,719	686,705,996
Charge for the year	-	-	9,910,956	43,863,501	55,419	-	765,495	43,564	4,280,455	58,919,390
30th June 2024	-	-	128,071,781	478,855,413	4,137,930	2,048,042	19,460,482	43,564	113,008,174	745,625,386
Net Book Value										
30th June 2024	8,044,682	1,619,820	367,476,156	180,746,110	55,419	1	979,014	500,074	8,141,145	567,562,420
30th June 2023	8,044,682	1,619,820	369,701,773	224,609,611	110,838	1	276,061	-	12,421,600	616,784,385

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	2024/2025 Kshs	2023/2024 Kshs
4. Inventories		
Finished Tea at Mombasa Warehouse	28,845,770	54,420,944
Finished Tea at Kipchabo Factory	16,543,507	17,438,919
Fuelwood at Kipchabo factory	1,873,740	15,953,850
Other Inventories	18,245,601	24,922,267
	<u>65,508,618</u>	<u>112,735,979</u>
5. Cash & Cash Equivalents		
KCB Current Account	1,951,066	5,328,546
CFC Stanbic Bank	529,981	9,240
Mpesa Cash Account	-	185,529
Cash in hand	642	15,590
KCB Fixed Deposit	2,258,933	2,258,933
	<u>4,740,622</u>	<u>7,797,840</u>
6. Trade Receivables		
Trade Debtors	29,814,465	29,651,631
Other Debtors	9,191,854	6,896,732
Nyayo Tea Zones Devt. Corporation - Advances	439,686,980	282,483,388
	<u>478,693,299</u>	<u>319,031,751</u>
7. Trade and other Payables		
Trade Payables	89,955,497	59,444,268
Green leaf Creditors - Nyayo Tea Zones	462,673,794	286,144,280
Payroll Creditors	11,381,559	8,547,145
Green Leaf Creditors - Outgrowers	55,235,207	45,618,261
Accruals	4,055,127	3,055,127
	<u>623,301,185</u>	<u>402,809,081</u>
8. Shareholders Funds		
Authorised No. of Shares - 5,000 Shares		
Type of Shares - Ordinary Shares		
Par value per Share Ksh. 20 each		
Total No. of Shares Subscribed - 5,000 Shares		
Value of subscribed Shares - Ksh 100,000	100,000	100,000
Share Premium	809,171,518	809,171,518
Revenue Reserves	(204,952,608)	51,960,689
Profit / (Loss) for the year	(167,806,515)	(256,913,296)
	<u>436,512,395</u>	<u>604,318,910</u>

22. APPENDIX 1: PROGRESS ON FOLLOW UP ON AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue/Observation from auditor	Management Comments	Focal point person to resolve the issue (Name & Designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Lack of Internal Audit 3-year strategic plan	Contravention of Regulation 170 of PFM(National Treasury) Regulations, 2015	In order to align the Corporation's programmes to the Kenya Kwanza Government Manifesto, the Corporation was required to review its strategic plan mid-term. This process took longer than expected. Consequently, the conclusion of the internal audit strategic plan was affected and the plan shall be approved in the forthcoming Board Audit and Risk Committee meeting to be held in January 2025.	Mr. George Kamau – Deputy Director Internal Audit and Risk Management	The issue was resolved and we have the Internal Audit 3 Year Strategic plan	Its continuous
Inconsistency in disclosure of board of directors	The Chairman and the CEO were disclosed as the only BOD members.	Kipchabo is a wholly owned by Nyayo Tea Zones Development Corporation. BOD members provide oversight to all the subsidiaries of NTZDC under one sitting where issues of NTZDC are discussed	Dr. David Chepkwony, Chief Executive Officer	The Financial statements gave all the names of the BOD members and the Committees they serve in and the number of meetings held in the financial year	Its continuous
Long Outstanding Payables	Accruals of Ksh 3,055,127 has been long outstanding.	The Corporation had provided for expenses but payment had not been done. The management will settle with improvement of cashflows.	CPA Moses Wamae, Director Finance and Accounts	The same has not been settled due to limited cash inflows. With improved production in 2025/2026 FY, the same will be addressed	Its Continuous

Dr. David Chepkwony, PhD
 Chief Executive Officer

Date.....10/12/2025

1. APPENDIX II: PROJECTS IMPLEMENTED DURING THE YEAR

During the year under review, Kipchabo Tea Factory Ltd did not implement any new projects.

Dr. David Chepkwony, PhD
Chief Executive Officer

Date: 10/12/2025