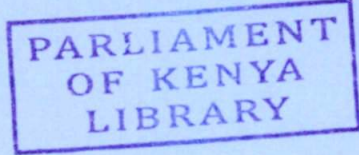


REPUBLIC OF KENYA



200

REPORT

OF

THE AUDITOR-GENERAL

ON

PAPERS LAID	
DATE	18/2/26
TABLED BY	Ca. lelogue
COMMITTEE	
CLERK AT THE TABLE	Polycarp

KABIANGA TEA FARM COMPANY LIMITED

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

005



KABIANGA TEA FARM COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

Table of Contents	Page
1. Acronyms and Glossary of Terms	ii
2. Key Entity Information	iii
3. The Board of Directors	vi
4. Key Management Team	viii
5. Chairman’s Statement	ix
6. Report Of the Chief Executive Officer	xi
7. Statement Of Performance Against Predetermined Objectives for FY 2024/25	xiii
8. Corporate Governance Statement	xvi
9. Management Discussion and Analysis	xix
10. Environmental And Sustainability Reporting	xxiii
11. Report Of the Directors.....	xxv
12. Statement Of Directors’ Responsibilities.....	xxvi
13. Report Of the Independent Auditors for the financial statements of Kabianga Tea Farm	xxviii
14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.	1
15. Statement Of Financial Position As at 30 June 2025	2
16. Statement Of Changes in Equity for the Year Ended 30 June 2025	4
17. Statement Of Cash Flows for The Year Ended 30 June 2025	6
18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025....	7
19. Notes To the Financial Statements.....	9
20. Appendices.....	44

1. Acronyms and Glossary of Terms

A. Acronyms

CEO	<i>Chief Executive Officer</i>
CBK	<i>Central Bank of Kenya</i>
CBA	<i>Collective Bargaining Agreement.</i>
CPA	<i>Certified Public Accountant</i>
CS	<i>Company Secretary</i>
CTC	<i>Cut, Tear and Curl</i>
DG	<i>Director General</i>
ECDE	<i>Early Childhood Development Education</i>
HRD	<i>Human Resource Department</i>
IAS	<i>International Accounting Standards</i>
IASB	<i>International Accounting Standards Board</i>
ICPAK	<i>Institute of Certified Public Accountants- Kenya</i>
IFRS	<i>International Financial Reporting Standards</i>
KPAWU	<i>Kenya Plantation and Agricultural Workers Union</i>
KTDA	<i>Kenya Tea Development Agency Ltd</i>
KSG	<i>Kenya School of Government</i>
LAPFUND	<i>Local Authorities Provident Fund</i>
MBA	<i>Masters in Business Administration</i>
MP	<i>Member of Parliament</i>
MD	<i>Managing Director</i>
MDG's	<i>Millennium Development Goals</i>
NGO	<i>Non Governmental Organization</i>
NSSF	<i>National Social Security Fund</i>
NT	<i>National Treasury</i>
PFMA	<i>Public Finance Management Act.</i>
PTA	<i>Parents Teachers Association</i>
SDG's	<i>Sustainable Development Goals</i>
WRA	<i>Water Resources Authority</i>

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2. Key Entity Information

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 an Agency 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

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

Customer focus.

Kabianga Tea Farm will endeavour to satisfy its customers' needs

Key Entity Information (Continued)

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 Boards and staff shall be bold in the execution of their duties and shall be prepared to mitigate any risks or challenges

Directors

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

1. John Cheruiyot - Chairman - Exited on 14th April 2025.
2. Hon Daniel Ronoh - Chairman - Appointed on 8th April 2025
3. Hon. Edna Tonui - Exited on 22nd December 2024
4. Hon Leonard Ngetich - Exited on 22nd December 2024
5. Hon Magerer Langat , OGW - Member & CECM Agriculture Livestock , Fisheries & Cooperative Management.
6. CS Betsy Kirui - Member & Chief Officer - Agriculture & Fisheries
7. Willy Rop - Member & Chief Officer – Trade , Industrialization, Innovation, Tourism , & Wildlife Management.
8. CPA Dr George Kirer - Member & Chief Officer – Finance.
9. Walter Langat - Member – Appointed on 08/05/2023
10. Sylvia Selim - Member – Appointed on 08/05/2023
11. David Langat - Member - Appointed on 08/05/2023.
12. David Sawe - Chief Executive Officer –Appointed 1st December 2020.

Kabianga Tea Farm Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2025.

Key Entity Information (Continued)

Registered Offices

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

Corporate Contacts

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

Corporate Bankers

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

Independent Auditors

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

Principal Legal Adviser.

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

3. The Board of Directors

Ref	Directors	Details
1	Hon Magerer Langat OGW	Hon Magerer Langat is a trained agronomist with extensive experience in Public Service. He Previously serve as the M P for Kipkelion and Assistant Minister
2	CS Betsy Kirui	Cs. Betsy Kirui has an MBA in Strategic management, is a Certified Company Secretary and a Certified Public Accountant having extensive experience in the Public service. Cs Betsy Kirui worked previously as a member of the Kericho County Public Service Board.
3	Hon. Daniel Ronoh	Hon. Daniel Ronoh has worked in the NGO sector, has served in the Public Sector as previous Chairman of the County Council of Kipsigis and a member of the County Assembly. He is trained in the field of Public Administration.
4	John Cheruiyot	Mr Cheruiyot is a trained agriculturist having worked in the tea sector for over forty years. He previously worked for Uniliver tea in the estate. and subsequently in Rwanda.
5	CPA Dr. George Kirer	Dr. Kirer is a Certified Public Accountant, has a doctorate degree in Finance with a wide experience in Public Finance. He previously worked in the Office of the Auditor General and is currently the Chief Officer –Finance (County Government of Kericho)
6	Mr. Willy Rop	Mr Willy Rop has a degree in Education and a teacher by is an educationist. He previously taught at Rift Valley Institute of Science and Technology and Kericho Day Secondary School.

Kabianga Tea Farm Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2025.

7	Sylvia Cherop	Ms Sylvia has a background in Procurement from Kisii University. She is currently working as a loan officer.
8	Walter Langat	Mr. Langat is a career civil servant having worked in the Ministry of Health and Ministry of Lands.
9	David Langat	Mr. Langat is a trained Teacher. He has been a teacher and head teacher of various schools within kipkelion East Sub –County.
10	David Sawe	Mr. David Sawe is the Chief Executive Officer and has a degree in Agricultural Economics.

4. Key Management Team

Ref	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 Resouce 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 after tax of Kshs. 434,827.50 during the year under review compared to a loss in prior year of Ksh. 10,684.70.

Crops Volume.

The crop harvested from the farm during the year is 2,042,875.700 kgs. In prior year (2024) the crop realised was 2,504,320.10 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 1.57 kgs /Bush during the year. In prior year (2024) the production per bush was 1.92 kg/Bush. The reduction in production was contributed by the non application of fertilizer during the year under review. The volume of green leaf deliveries to the different factories is as indicated in table below.

No.	Factory	Vol (Green Leaf)-Kgs	% Delivery
1	Kabianga Tea Factory	1,600,150.00	78.5%
2	Tet Tea Factory Ltd	294,400.00	14.3%
3	Momul Tea Factory Ltd	92,337.40	4.5%
4	Kipkebe Ltd (Sasini)	55,988.30	2.7%
	Total	2,042,875.70	100 %

Most of the tea bushes at the farm have become moribund and a serious replanting exercise should be initiated to turn around the fortunes of the farm. The continuous decline in auction prices means that revenues will continue dipping. To mitigate the effect of the decline, new high yielding varieties should be introduced to improve productivity and ultimately the revenues.

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. The company was given the Kipkelion Coffee Farm to manage on behalf of the Department of Agriculture – County Government of Kericho. The total acreage earmarked for coffee growing is 42 acres. There is still 27 acres open field within the Coffee Farm that is yet to be developed. Since coffee prices are generally good currently, there is huge potential in harnessing revenues from coffee from this open space that will cushion the tea farm from ensuing low prices from tea.

Chairman's Statement (Continued)

Markets.

The market for Kenyan teas continues to face various challenges. This includes the withdrawal of Sudan in the Auction, The war in middle east affecting Iran , which is one of the biggest buyers and the economic challenges facing Pakistan (Foreign currency reserves) which has left the prices at the Auction averaging about 1 USD per kg of made tea. This has left most processors operating below cost of production. This in effect has pushed down the price per kg of green leaf paid by most processors to an average of Ksh. 20.00 per kg which is also low and is not able to cover all operational costs.

Cost of Production.

The cost of production has continued to rise year in year out. The rising costs of production are attributed to benefits that has continued to accrue to the employees as per the existing CBA. The cost of fuel, maintenance and other operating expenditures has continuously exerted pressure on the farms revenue's making sustainability of wages a concern going into the future with dwindling green leaf prices.

Most operations are also done manually. This includes weeding and harvesting. The big multinationals have already adopted mechanical harvesting of tea to counter the rising labour costs. Buyers in the market also demand that tea is grown and produce in a sustainable way. This limits the use of chemicals in most operations within the farm which pushes labour costs high as manual labour is utilized in most operations



.....
Daniel K. Ronoh

Date 4/12/2025

Chairman.

Kabianga Tea Farm Company Ltd.**Annual Report and Financial Statements for the year ended June 30, 2025.****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	2024/25			2023/24		
	Vol(kgs)	Prices	Revenues	Vol(kgs)	Prices	Revenues
Kabianga Factory	1,600,150.00	27.00	42,724,067.00	2,473,230.10	27.00	66,578,762.70
Sasini Tea	55,988.30	30.50	1,707,643.15	31,090.00	30.25	963,790.00
Tet Tea Factory	294,400.00	27.00	7,825,335.00			
Momul Tea Factory	92,337.40	23.00	2,123,760.20			
Sub Totals	2,042,875.70			2,504,320.10		67,542,552.70
Bonus(Kabianga)					1.00	932,886.80
Bonus(Momul)	92,337.40	32	2,954,796.80			
Totals	2,042,875.70		57,335,602.15	2,504,320.10		68,475,439.50

Revenues from green leaf tea for the period under review was Ksh. 57,335,602.15. In prior year (2023/24) revenues from green leaf tea was KSh. 68,475,439.50. This translated to a reduction in revenues of Ksh. 11,139,837.35 representing a decrease in revenue of 16.9%. This decline in revenues is attributed mainly to a reduction in green leaf volume from 2,504,320.10kgs to 2,042,875.20 kgs . This reduction in green leaf volume of 461,444.40 kgs is attributed to non application of fertilizer during the year under review.

Cost of Production

Total costs of production during the year under review was ksh.28,892,778.10. In prior year, costs of production was ksh. 37,599,653.60. The cost during the year under review is lower by Ksh. 8,706,875.50 . The reduction in costs is related to a lower production volume of 461,444.40 kgs during the year under review. During the year, wages were enhanced by 7% as agreed between KPAWU(workers union) and the Company.

Kabianga Tea Farm Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2025.
Report Of the Chief Executive Officer (Continued)

Perfomance.

Rain fed agriculture faces various challenges. During the year, the weather conditions were erratic. The suffered harsh extremities of weather. There were hail damage to the crop, dry weather conditions which persisted in the months of February /March 2025 that resulted in reduced labour days in the respective months. All these compounded with the clones grown at farm impacted negatively the productivity of the tea bushes.

During the year under review, the average tea price per kg of green leaf was ksh. 28.07 whereas in prior year it was Ksh. 27.34/kg . This marked a marginal increase of Ksh. 0.72 per kg of green leaf. Green leaf prices during the year remained at almost similar levels compared to prior year. The reduction in revenues is as a result of reduction in green leaf volume as opposed to the increment in average green leaf prices.

DAVID SAWE
.....
Chief Executive Officer


.....
Sign

Date 4/12/2025.....

7.Statement of Performance Against Predetermined Objectives for FY 2024/25.

Kabianga Tea Farm has four (3) strategic pillars within the current Strategic Plan for the financial year 2022/27. These strategic pillars are as follows:

i) Strategic Pillar 1 – Increase Crop Productivity.

The farm intends to vigorously improve the productivity per hectare from its 121 ha land. It intends to achieve this by applying new and innovative ways of enhancing productivity.

ii) Strategic Pillar 2 – Human Resources Development.

Kabianga Tea Farm will establish a Human Resource Development (HRD) framework for helping its employees improve their personal and organizational skills, knowledge and abilities. These shall include employee training, career development, performance management, coaching, mentoring and succession planning. The Frameworks are not only aimed at motivating staff but equipping them to deliver good performance and results for the organization. The strategic Human Resource Development for Kabianga Tea Farm will be “To attract, motivate and retain an optimal and productive work force.”

Investment in employees is beneficial in a multiplicity of ways, both for individuals and for society as a whole. Employment is associated with:

- Improved health, equity and social conditions.
- Contributing to economic growth and poverty reduction – sustainability
- Giving people the skills to engage in gainful development.

Kabianga Tea Farm has focussed on three activities under this strategic objective:

a) Gender Balanced Recruitment.

One of the goals in the SDGs is to eliminate gender disparity in all aspects of employment and this is where Kabianga Tea Farm’s work is anchored. Kabianga Tea Farm still needs to continue the focus on gender balanced employment. Employment improves the health and productivity of both men and women and their dependants. Investing in gender employment (especially on women) has a positive impact on gender equality, women’s empowerment, and women’s well-being. Failing to invest adequately in empowering women can diminish the potential benefits of empowering men. This failure brings with it high costs in lost opportunities to raise productivity, increase income, and improve quality of life. It is important for Kabianga Tea Farm to focus over the next five years, on programmes that enhance the employment of the either gender.

b) Employment.

Kabianga Tea Farm has focused on best human resources practices including gender sensitivity. There is also need to cater for the emerging group of higher cadre of employees. Attention is needed to help them understand that being educated will equip them with skills to build a stable future. Kabianga Tea Farm shall explore possibilities of establishing employment procedures in areas where it is currently lacking. The higher cadre of employees are required to go through an interview process that is rigorous. And so is their firing! It has to be done professionally.

c) Employees with special needs.

Focus has been made specifically to address employees with Special needs affected by various disabilities including hearing impairment, sight challenges or mobility problems. This group of Employees with Special needs will be catered for through focusing on their special needs

iii) Strategic Pillar 3 – Partnerships, Investments, Financing, and sustainability.

This pillar will set the stage for a clear financial growth plan for the organization and its beneficiaries. There are four milestones to actualize this strategic objective:

- a) Strategic partnerships
- b) Fundraising
- c) Investment
- d) Sustainability

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Improve productivity	Attain a production per bush of above 2kgs annually	-Timely fertilizer application -Regular pruning cycle (4 yr cycle) -Weed management	2022- 1.67kgs/bush 2023 -1.75 kgs/bush 2024-1.93 kgs/bush 2025- 1.57 kgs/bush
Pillar 2:	Human Resource Development	-Eliminate gender disparity' in employment	-Community mobilization	-Ratio of men /women: 48%/52%

Kabianga Tea Farm Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2025.

		<ul style="list-style-type: none"> -Give fair chance to employees with special needs. -Identify relevant incentive systems -Talent acquisition, training & retention -Succession Planning 	<ul style="list-style-type: none"> -Focusing on their special needs. Identify talent, Training, Coaching & mentorship. Develop a recruitment strategy Develop a mentorship program 	<ul style="list-style-type: none"> 1 employees recruited with mobility challenges 2 staff members trained in SMC course. -Strategy in place -Mentorship program in place
Pillar 3:	-Partnerships, Investments, Financing & Sustainability	<ul style="list-style-type: none"> Have partnership with private sector, Government & development partners -Develop a sustainability program at development stage 	<ul style="list-style-type: none"> -Lobby for county to appropriate funds -Venture into other revenue generating projects – Real estate i.e shops and conference 	<ul style="list-style-type: none"> -Management of Kipkelion Farm -In-filling of Empty spaces at Kipkelion Coffee Farm

8. Corporate Governance Statement

Corporate Governance is the process and structure used to direct and manage 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. These Sub-Committees are

a) Finance & Procurement Sub Committee.

- i) Ms Sylvia Selim - Chairperson
- ii) CPA Dr George Kirer - Member
- iii) Hon Magerer Langat - Member

b) Human Resources Sub Committee.

- i) Ms Sylvia Selim - Chairperson
- ii) Willy Rop - Member
- iii) Walter Langat - Member

Corporate governance Statement (Continued)

c) Technical Sub Committee

- i) Mr. Walter Langat - Chairperson
- ii) Hon Magerer Langat - Member
- iii) Mr. Willy Rop - Member

d) Audit Sub-Committee

- i) Mr David Langat - Chairperson
- ii) Cs Betsy Kirui - Member

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 to other meetings as may be required.

Ethics and conduct.

The board recognizes the need to observe a high standard of corporate practice and business conduct. Good conduct, underpinned by ethics is fundamental to the sustainability of the agribusiness industry and the creation of value. Good conduct is evidenced through our daily behaviour and exhibited in our individual and collective actions and decisions. The board expects its representatives to behave and conduct business in the workplace in an ethical manner that complies with all legal and statutory requirements. The board specifically expects all personnel to act;

- i) Ethically, honestly, responsibly diligently and with integrity.
- ii) In full compliance with all laws and regulations that apply to Kabianga Tea Farm.
- iii) All personnel must lead by example and demonstrate a high regard for all customers, suppliers, stakeholders and treat all with respect.

Conflict of Interest.

The directors are obligated to fully disclose to the board any real or potential conflict of interest which come to any directors attention whether direct or indirect. The statutory duty to avoid situations in which the director have or may have conflict of interest with those of the company are reviewed once it comes to the attention of the board. An acknowledgement that should it come to the attention of a director that a matter concerning the company may result in a conflict of interest, it obligates the director to declare the same and exclude himself/herself from any further discussion or

Kabianga Tea Farm Company Ltd.**Annual Report and Financial Statements for the year ended June 30, 2025.****Corporate governance Statement (Continued)**

decision over the matter in question. The board has formal procedures for managing conflict of interest in accordance with the companies Act, 2015.

Number of Board Meetings.

The following board and Sub Committee Meetings were held during the year and attended by the following members as indicated.

Members	Board Meeting	Technical Sub Committee	Hr Sub Committee	Audit Sub Committee	Finance
John Cheruiyot	6	22	7	2	1
Cs Betsy Kirui	4	10	-	-	
Walter Langat	6	26	4	2	
Hon Edna Tonui	1				1
Ms Sylvia Selim	6	1	8		
Willy Rop	5	1	7		
David Langat	6		5		
CPA Dr George Kirer	2				1
Hon Jackson Rop	1				
Hon Magerer Langat	3				
Hon Daniel Rono	1	3	1		

Kabianga Tea Farm Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2025.

9. Management Discussion and Analysis

Tea crop.

The company made sales of green leaf tea to four factories during the year under review – Kabianga Tea Factory Limited, Tet Tea Factory Ltd, Sasini Tea Plc and Momul Tea Factory Ltd.

The processing factories offered different prices based on their leaf quality standards.

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

Year ended 30 th June	Tet Tea Factory		Kabianga Fact		Sasini		Momul/		Total Vol (kgs)	Total Rev.
2024/25	294,400		1,600,150.00		55,988.30		92,337.40			
Green Leaf(Vol)	27	-	27.00	-	30.50	-	23.00	32.00	2,042,875.70	57,335,602.15
Price (Mon/Bonus)										
2023/24			2,473,230.10		31,090.00				2,504,320.10	68,475,439.50
Green Leaf(Vol)										
Prices(Mon/Bonus)			27.00	1.00	30.25	-				
2022/23			2,092,525.00		188,780					
- Green leaf Vol									2,281,305.00	65,254,579.10
-Prices (Mon/ Bonus)			27.00	-	27.25	2.05				
2021/22					1,280,230		901,376			
- Green leaf Vol									2,181,606.00	57,086,272.20
-Prices (Mon/ Bonus)					25.25		23.00			
					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	-	-		
	26.65	-	26.00	5.00	-		-	-		
	28	-	26.00	13.00	-		-	-		

Kabianga Tea Farm Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2025.

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) & Momul Tea Factory accepts leaf with a minimum good leaf quality standard of above 75% .

Performance

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

Year ended 30 th June	Volume- Green Leaf	Revenues – Green Leaf	Revenues - Others	Total Revenues	Totals Costs & Exp.	Surplus/ (Loss)
2024/25	2,042,875.70	57,335,602.15	3,249,603.05	60,585,205.20	61,190,024.20	(604,819.05)
2023/24	2,504,320.10	68,475,439.50	2,005,221.75	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

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.

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. The other players (private processors and large estates takes up the remaining 35%).

The quality of Kenyan tea offered for sale at the Mombasa auction and those others sold through private arrangements has not been consistent. At the worse it has been coming down generally due to the number of private processors who come to the market and compete for the leaf which compromises quality.

Management Discussion and Analysis (Continued)

The Tea Board of Kenya has been on a campaign to enlighten all the market players on the need to process good quality leaf. This will greatly improve the quality of all Kenyan tea irrespective of whether it is processed by KTDA, the multinationals or the independent private processors.

Demand for Kenyan tea remains concentrated on Pakistan, Egypt and Sudan. Most of these buyers have not been active at the Mombasa auction due to several challenges ranging from political instability and the their local economies not doing well in the recent past. Over 95% of all Kenyan tea are destined for exports. Whenever the outside market is not doing well, the local producers suffer the ripple effect of poor uptake of our teas. There is need to encourage more local consumption to expand the market and to reduce reliance on the foreign buyers.

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.

In the medium term, the weekly volume of black tea offered at the Mombasa auction rose from 10 million kgs per week to 21 million kgs per week because of the glut. Buyers took advantage of this scenario to offer very low prices to the tea on offer.

Compliance with Statutory Requirements.

The company has complied in payments of all Statutory deductions from Payroll/Other contributions to various statutory bodies except NSSF. As at end of June 2025, NSSF deductions for the months of May and June 2025 had not been submitted due to reduced revenues occasioned by the reduction in green leaf prices from Ksh. 27.00 per Kg to Ksh. 20.00 per kg effective June 2025 with no commensurate reduction in expenditure.

As at end of June 2025, NSSF deductions for the months of May and June 2025 amounting to Ksh. 814,140.00 was yet to be remitted. Further, the company negotiated and agreed with the workers union (KPAWU) for a 7% general wage increment with effect from 1st July 2024 to 30th June 2025 and a further 7% general wage increment with effect from 1st July 2025 to 30th June 2026.

Management Discussion and Analysis (Continued)

The company is yet to pay arrears of this increment amounting to Ksh. 1,538,807.35 for seven months from July 2024 to January 2025.

The company abstracts water from a stream (river) for use by the company's employees. It is a requirement by Water Resources Authority that all entities that abstract water for use from the different water sources get abstraction permits from WRA authorizing them to abstract water for the different uses. The company is yet to get a water abstraction permit from the Authority.

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.

Labour costs have also been pushing production costs to soar higher. To mitigate the impact of the increasing costs, strategies have to be adopted to cushion the company from becoming unsustainable. There is need for improvement on the leaf quality and deliver more leaf to Momul factory (KTDA) which offers better prices compared to the private processors.

There is also need to seriously diversify and avoid dealing with only a single crop. This include creating partnerships with existing institutions and venture into other income streams including building of students hostels, growing avocados, starting dairy units amongst other revenue streams.

10. 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 88,560 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 biodegradable and non-biodegradable. Indigenous trees are also planted along the water bodies and no farming is allowed within 50metres from the rivers/streams.

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 has an existing CBA with KPAWU and wages review is undertaken every 2 years as per the recognition agreement.

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

Environmental And Sustainability Reporting (Continued)

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 practises. No delay whatsoever for deliveries/supplies made shall be paid outside agreed credit periods.

c) Responsible engagement with the citizens.

The company has engaged the neighbours and the greater community at large in sports and conservation efforts. It regularly supports programs geared towards public participation of citizens in development activities. The company has actively engaged the community in proposed establishment of Kabianga Division administrative offices

d) Corporate Social Responsibility/Community Engagements.

The company has continued to support education in the community by employing two teachers at the neighbouring Kapmaso Primary school. This has enabled the School not to demand PTA fees from parents. The company has also employed 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 is Ksh. 10.00. During the year the company managed to sell 47,397 seedlings to the community at a subsidized price of Ksh. 5.00.

Further the company offered its nursery unit for distribution of crafted avocadoes and new mango varieties county wide where farmers from all the wards benefitted from this program . The last mile distribution of fertilizer has also been facilitated by the company by making available its fertilizer store for use in this program.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the company's affairs.

i) Principal activities

The principal activities of the Company continue to be harvesting and selling of green leaf tea.

ii) Results

The results of the company for the year ended June 30, 2025 are set out on page 1-43.

iii) Dividends

The Company remitted five hundred thousand shillings to the principal shareholder – The County Government of Kericho.

iv) Directors

The members of the Board of Directors who served during the year are shown on page vi -vii

v) Auditors

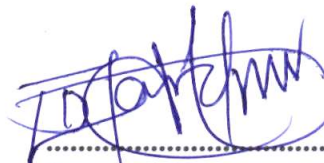
The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended 30th June 2025.

By Order of the Board

DAVID SANE

Name

Company Secretary/Secretary to the Board



Signature.

4/12/2025

Date.

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and the companies Act 2015 require the Directors to prepare financial statements in respect of the 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 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, 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 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 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 companies Act 2015.

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, 2025, 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 financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern. Though the revenues of green leaf has considerably dropped from the current

Kabianga Tea Farm Company Ltd.

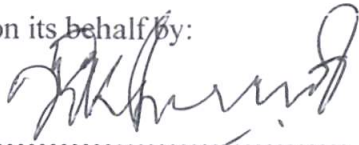
Annual Report and Financial Statements for the year ended June 30, 2025.

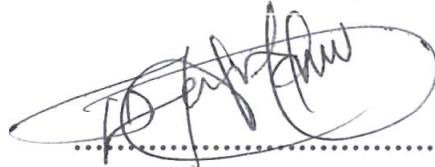
Statement of Directors responsibilities (Continued).

processors, the director's have intensified efforts to get a processor who offers better rates. This will considerably reverse the declining revenue earnings from green leaf tea offered by the current processors.

Approval of the financial statements

The company's financial statements were approved by the Board on 04/09/ 2025 and signed on its behalf by:


.....
Name Daniel K. Ronoh
Chairperson of the Board.


.....
Name DARIUS SAWA
Chief Executive officer.

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KABIANGA TEA FARM COMPANY 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.

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 Company Limited set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive incomes, 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kabianga Tea Farm Company 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 Qualified Opinion

1. Unsupported Coffee Sales from Kipkelion Farm

The statement of profit or loss and other comprehensive income reflects other income amounting to Kshs.3,240,952. The amount includes coffee sales from Kipkelion Farm totalling Kshs.2,403,982 as disclosed in Note 10. Records available revealed that the Company entered into an agreement with the Department of Agriculture, Livestock and Fisheries of Kericho County Government to manage Kipkelion Coffee Farm as an agent to enhance productivity and enjoy economies of scale. The agreement which commenced on 23 August, 2021 was to be renewed subject to satisfactory performance.

However, evidence of renewal or termination of the contract was not provided for audit review. In addition, periodic performance review or management reports to confirm that the agency services were rendered in compliance with the terms of the contract were also not provided for audit review.

Further, sales from the coffee were not supported with production statements indicating quantities harvested, coffee sales returns statements and the contract price per kilogram. No designated special purpose account had been established for the management of the coffee farm contrary to Clause 4 (a) of the agreement which provides that funds for the management of the coffee farm shall be appropriated and transferred to a special purpose account to be opened under the authority of the County Executive Committee Member (CECM) – Finance and Economic Planning.

In the circumstances, the accuracy and completeness of coffee sales from Kipkelion Farm amounting to Kshs.2,403,982 could not be confirmed.

2. Inaccuracy of Property, Plant and Equipment Balance

The statement of financial position and as disclosed on Note 18 to the financial statements reflects property, plant and equipment totalling Kshs.44,778,560. The property, plant and equipment include buildings and civil works, plant and machinery, motor vehicles, computers and related equipment which had been fully depreciated as at 30 June, 2025 at an accumulated depreciation value of Kshs.53,042,976. However, the assets had not

been revalued contrary to Paragraph 31 of IAS 16 that requires an item of property, plant and equipment whose fair value can be measured reliably to be carried at a revalued amount. The amount also includes freehold land valued at Kshs.44,760,000 in respect of one hundred and fifty-one (151) hectares of land which was last revalued in July, 2000.

Further, the property, plant and equipment 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 addition, the assets register presented for audit was not prepared in the prescribed format indicating identification or serial number, acquisition date, description of asset, location, responsible officer, class, cost of acquisition, accumulated depreciation, net book value and identification codes with which assets were tagged.

In the circumstances, the accuracy, ownership and valuation of the property, plant and equipment balance Kshs.44,778,560 could not be confirmed.

3. Unsupported Biological Assets Balance

The statement of financial position and as disclosed in Note 20 to the financial statements reflects biological assets totalling Kshs.37,540,000. However, a reconciliation of changes in the carrying amount of biological assets between 01 July, 2024 and 30 June, 2025 was not disclosed in the financial statements or provided for audit. This was contrary to Paragraph 50 of IAS 41 which states that an entity must disclose a reconciliation of changes in the carrying amount of biological assets between the beginning and end of the current period.

In the circumstances, the accuracy, valuation and fair value of the biological assets totaling of Kshs.37,540,000 could not be confirmed.

4. Unsupported Trade and Other Receivables

The statement of financial position reflects trade and other receivables totalling Kshs.6,834,153. 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 22 to the financial statements. However, the policy on the provisions for bad and doubtful debts has not been disclosed in the financial statements.

Further, the amount includes trade receivables totalling Kshs.1,015,652 as shown in Note 22(b) to the financial statements which had been outstanding for over one hundred and twenty (120) days. Similarly, review of records revealed that the staff receivables and other receivables amounting to Kshs.356,488 and Kshs.574,005 had been outstanding for over ten (10) years dating back to the year 2012. However, Management had not assessed these debts as doubtful and adequate control measures and safeguards to recover the debts were not provided for audit review.

In the circumstances, the accuracy, completeness and recoverability of the trade and other receivables totalling Kshs.6,834,153 could not be confirmed.

5. Inaccuracy of Bank and Cash Balances

The statement of financial position and as disclosed in Note 24 to the financial statements reflects negative bank and cash balances totalling Kshs.1,086,805. The amount is net of negative operations bank account balance of Kshs.1,134,377. This is contrary to International Accounting Standards (IAS) under Paragraph 32 which states that an entity shall not offset assets and liabilities or income and expenses unless required or permitted by an IFRS.

Further, the bank and cash balances include 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 review. The approval for opening of the foreign currency bank account was also not provided for review. This was contrary to Regulations 76(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that all foreign currency designated bank accounts shall be kept at the Central Bank of Kenya for county government entities unless exempted in writing by the Cabinet Secretary.

In the circumstances, the accuracy and completeness of the negative bank and cash balances totalling Kshs.1,086,805 could not be confirmed.

6. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 29 to the financial statements reflects trade and other payables totalling Kshs.7,808,450. However, 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 and payroll creditors were not provided for audit review. The amount also employee dues amounting to Kshs.5,550,558 which were not supported by extracts of payrolls or records on how the claims were determined.

Further, movement schedule and ageing analysis indicating how long the payables had been outstanding were not provided or disclosed in the financial statements contrary to the requirements of the prescribed financial reporting template.

In the circumstances, the accuracy and completeness of trade and other payables totalling Kshs.7,808,450 could not be confirmed.

7. Inaccuracies in the Statement of Cash Flows

The statement of cash flows and as disclosed in Note 32 to the financial statements reflects cash outflows from operating activities amounting to Kshs.557,397. The amount is net of increase in trade and other receivables amounting to Kshs.2,527,116. However,

the increase in trade and other receivables differs with the recomputed amount of Kshs.2,559,535 resulting in unexplained variance of Kshs.32,419.

Further, the amount includes working capital adjustments in respect of increase in trade and other payables amounting to Kshs.866,778. However, the increase differs with the recomputed amount of Kshs.2,443,695 resulting in an unexplained variance of Kshs.1,576,917.

In addition, the amount includes increase in retirement benefits obligations amounting to Kshs.1,576,918. However, the amount was not reflected in the statement of financial position.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

8. Unsupported Dividends to County Government of Kericho

The statement of changes in equity and as disclosed in Note 16 to the financial statements reflects dividends paid to County Government of Kericho amounting to Kshs.500,000. However, the dividends paid were more than the total comprehensive loss for the year amounting to Kshs.434,828 reported in the statement of profit or loss and other comprehensive income resulting in an overpayment of Kshs.934,828.

In the circumstances, the propriety of the dividends paid to County Government of Kericho amounting to Kshs.500,000 could not be confirmed.

9. Material Uncertainty to Going Concern

The statement of financial position reflects current assets totaling Kshs.7,520,261 against current liabilities totaling Kshs.7,939,326 resulting to negative working capital of Kshs.419,065. Further, the statement of profit or loss and other comprehensive income reflects total comprehensive loss for the year of Kshs.434,828 compared to a loss of Kshs.10,685 reported in the previous financial year. Review of the previous financial statements revealed that the Company had been making losses for three (3) consecutive years since the financial year 2022/2023.

This unfavorable performance and weak financial position denote the existence of material uncertainty on its ability to meet its financial obligations and continue to operate as a going concern. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Management to reverse the undesirable precarious situation have not been disclosed in the financial statements.

In the circumstances, the going concern of the Company is in doubt.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kabianga Tea Farm Company 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 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.77,212,000 and Kshs.60,585,205 respectively resulting to an under-funding of Kshs.16,626,795 or twenty-two percent (22%) of the budget. Further, the statement reflects final expenditure budget and actual on comparable basis amounting to Kshs.75,710,170 and Kshs.61,190,024 respectively resulting to under-expenditure of Kshs.14,520,146 or nineteen percent (19%) of the budget.

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 effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the audit reports of the previous year, twenty-three (23) issues were raised under the Report on the Financial Statements as shown in **Appendix I**. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

Other Information

The Directors are responsible for the Other Information set out on page iii to xxvii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, and Statement of Director's 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. Non-Payment of Audit Fees

The statement of profit or loss and other comprehensive income reflects administration costs amounting to Kshs.9,871,594. The amount includes Kshs.120,000 in respect of auditors' remuneration as disclosed in Note 11 to the financial statements. However, the Company records indicate that Management did not remit any audit fees to the Office of the Auditor General during the year under review. This was contrary to Section 41 of the Public Audit Act, 2015 which requires the audited entity to pay audit fees at the rates prescribed by the Auditor-General. The unpaid audit fees have also not been disclosed in the financial statements under payables.

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

2. Irregular Engagement of Casual Employees

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.22,425,625. The amount includes wages of temporary employees totalling Kshs.4,380,491 as disclosed in Note 12 to the financial statements. Review of records revealed that the casual employees 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.

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

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.22,425,625. The staff costs include salaries and allowances of permanent employees totalling Kshs.9,558,599 as disclosed in Note 12 to the financial statements. Review of the Company's payrolls revealed that thirty-three (33) 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.

4. Delayed Remittance of Statutory Salary Deductions

Review of records revealed that Management made payroll deductions comprising of outstanding Pay as You Earn (PAYE), LAPTRUST, National Social Security Fund (NSSF) contributions, Social Health Insurance Fund (SHIF) and the Housing Levy from the employees' salaries. However, the deductions for NSSF were not remitted to the relevant authority within the prescribed timelines. Consequently, the Company was charged penalty amounting to Kshs.115,639 in respect of late remittance, resulting to a nugatory expenditure. This was contrary to Section 19(4) of the Employment Act, Cap 226, which states that an employer who deducts an amount from an employee's remuneration in shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

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 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, except for the effect 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 Internal Audit Function and Audit Committee

During the year under review, the Company did not have an internal audit function for oversight of the operations of the Management and no risk assessment was performed. This was contrary to Section 155 of the Public Finance Management Act, 2012 which states that a County Government entity shall ensure that the arrangements for conducting internal audits in respect of the entity are in accordance with international best practices for internal auditing.

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, the oversight on effectiveness of internal controls, risk management and overall governance could not be confirmed.

2. Use of Manual Accounting Records

Review of records revealed that Management maintained its financial records including payroll, cash book and ledgers in manual form which do not have the necessary backups, thereby exposing the Company's financial information to risks of inaccuracy, inefficiencies, manipulations and possible loss. The management, did not provide any justification as to why the financial transactions were not maintained in the system.

In the circumstances, the effectiveness of internal controls over recording of transactions in manual records could not be confirmed.

3. Lack of Risk Management Strategies

Review of the internal controls of the Company revealed that Management had not developed risk management policy and there were no fraud prevention mechanisms put in place. Further, operational and disaster recovery plans were also not provided. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the existence of an effective mechanism to safeguard against risks could not be confirmed.

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 xxiv 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 Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) 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 is 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 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

11 December, 2025

Appendix I

Unresolved Prior Year Audit Matters

Number	Financial Year	Issue
1	2023/2024	Inaccuracy of Revenue from Green Leaf
2	2023/2024	Unsupported Other Income
3	2023/2024	Unsupported Cost of Fertilizer
4	2023/2024	Unsupported Director's Emoluments
5	2023/2024	Unsupported Transportation, Travelling and Subsistence
6	2023/2024	Unsupported Repairs and Maintenance
7	2023/2024	Inaccuracy of Total Comprehensive Loss for the Year
8	2023/2024	Inaccuracy in Property, Plant and Equipment
9	2023/2024	Unsupported Provisions on Trade and Other Receivables
10	2023/2024	Accuracies of Cash and Cash Equivalents
11	2023/2024	Unsupported Trade and Other Payables
12	2023/2024	Statement of Comparison of Budget and Actual Amounts
13	2023/2024	Budgetary Control and Performance
14	2023/2024	Unresolved Prior Year Matters
15	2023/2024	Irregular Sale of Green Leaf Tea
16	2023/2024	Unauthorized Expenditure
17	2023/2024	Non-Payment of Audit Fees
18	2023/2024	Irregular Engagement and Payment of Casual Employees
19	2023/2024	Non-Compliance with the One-Third of Basic Salary Rule
20	2023/2024	Irregular Appointment of the Board of Directors
21	2023/2024	Lack of Approved Human Resource Manuals and Policies
22	2023/2024	Lack of Internal Audit Review and Audit Committee
23	2023/2024	Lack of Risk Management Strategies

Kabianga Tea Farm Company Ltd.**Annual Report and Financial Statements for the year ended June 30, 2025****14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.**

	Note	2024/25 Kshs	2023/24 Kshs
Revenue			
Revenue from Green Leaf Tea	7	57,335,602.15	68,475,439.50
Cost Of Sales	8	(28,892,778.10)	(37,599,653.60)
Gross Profit		28,442,824.05	30,875,785.90
Other Income			
Finance Income	9	8,651.45	9,760.45
Other Income	10	3,240,951.60	2,005,221.80
Total Revenues		31,692,427.10	32,890,768.15
Operating Expenses			
Administration Costs	11	9,871,593.75	11,637,609.40
Staff Costs	12	22,425,625.35	21,355,692.55
Total Expenses		32,297,246.10	32,993,301.95
Profit/(Loss) Before Taxation		(604,819.00)	(102,533.80)
Income Tax Expense/(Credit)	14	169,991.50	91,849.10
Profit/(Loss) After Taxation		(434,827.50)	(10,684.70)
Earnings Per Share – Basic and Diluted	15		
Dividend per share	16		
Other Comprehensive Income		-	-
Profit/ (Loss) After Taxation		-	-
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 (Fair Value Through Other Comprehensive Income)		-	-
Total Comprehensive Income for the Year		(434,827.50)	(10,684.70)

Kabianga Tea Farm Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2025


15. Statement of Financial Position As at 30 June 2025


	Note	2024/25	2023/2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	18	44,778,560	44,895,790
Intangible assets	19	-	-
Biological assets	20	37,540,000	37,540,000
Staff Receivables Due after one year	22(c)	32,002	64,420
Total non-current assets		82,350,562	82,500,210
Current assets			
Inventories	21	386,959	400,572
Trade and Other receivables	22(a)	6,834,153	4,274,618
Tax recoverable	23	1,385,954	1,171,348
Bank and cash balances	24	(1,086,805)	15,205
Total Current assets		7,520,261	5,861,743
Total Assets		89,870,823	88,361,953
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	25	100,000	100,000
Revaluation reserve	26	78,423,502	78,423,502
Fair value adjustment reserve	27		
Retained earnings	28	3,407,995	4,342,820
Capital and Reserves		81,931,497	82,866,322
Non-current liabilities			
Current liabilities			
Trade and other payables	29	7,808,450	5,364,755
Provisions	31	130,876	130,876
Total current Liabilities		7,939,326	5,495,631
Total Equity and Liabilities		89,870,823	88,361,953

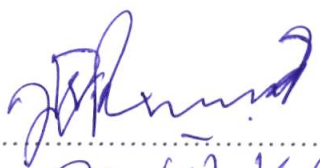
Kabianga Tea Farm Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2025

The financial statements were approved by the Board on 04/09 2025 and signed on its behalf by:


.....
Name **DAVID SAWE**
Managing Director


.....
Name **BERNARD BORE**
Head of Finance
ICPAK M/No:.....14339


.....
Name **Daniel K. Shamba**
Chairman of the Board

Kabianga Farm Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

16. Statement Of Changes in Equity for the Year Ended 30 June 2025

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2023		100,000	78,423,502	-	6,353,503	-	-	84,877,004
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Tax Due		-	-	-	612,751	-	-	612,751
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(102,533)	-	-	(102,533)
Tax Paid		-	-	-	(520,902)	-	-	(520,902)
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid—County Gov't of Kericho.		-	-	-	(2,000,000)	-	-	(2,000,000)
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2024		100,000	78,423,502	-	4,342,820	-	-	82,866,322
As at July 1, 2024		100,000	78,423,502	-	4,342,820	-	-	82,866,322
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation		-	-	-	-	-	-	-

Kabianga Tea Farm Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
on revaluation								
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(604,819)	-	-	(604,819)
Tax credits		-	-	-	214,608	-	-	214,608
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – County Gov't of Kericho Tax Paid		-	-	-	(500,000)	-	-	(500,000)
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2025		100,000	78,423,502	-	3,407,995	-	-	81,931,497

Kabianga Tea Farm Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement Of Cash Flows for The Year Ended 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM/(USED IN) OPERATIONS	32	(557,397)	2,354,423
Interest received			
Interest paid			
Dividends paid			
Taxation paid		(44,614.00)	(520,902)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		(602,011)	1,833,521
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			
Dividends paid		(500,000)	(2,000,000)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		(500,000)	(2,000,000)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,102,011)	(166,479)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		15,205	181,684
Effects of foreign exchanges rate fluctuations			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		(1,086,806)	15,205

Kabianga Tea Farm Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Sales of green leaf tea	72,000,000.00	-	72,000,000.00	57,335,602.15	14,664,397.85	79%
Other Income	5,212,000.00	-	5,212,000.00	3,249,603.05	1,962,396.95	62%
Total income	77,212,000.00	-	77,212,000.00	60,585,205.20	16,626,794.80	78%
Costs & Expenses		-				
Plucking	28,560,000.00	-	28,560,000.00	23,488,857.60	5,071,142.35	82%
Fertilizer	2,693,538.00	-	2,693,538.00	-	2,693,538.00	0%
Weeding	2,205,322.00	-	2,205,322.00	1,663,893.45	541,428.50	75%
Nursery unit costs	515,400.00	-	515,400.00	399,313.00	116,087.00	77%
Pruning	1,784,696.00	-	1,784,696.00	1,729,580.00	55,116.00	97%
Motor Vehicle costs	3,238,600.00	-	3,238,600.00	2,154,356.00	1,084,244.00	67%
Staff Costs	21,985,054.40	-	21,985,054.40	22,425,625.35	(440,597.95)	102%
General Overheads	2,239,700.00	-	2,239,700.00	1,013,079.80	1,226,620.20	45%
Administration Expenses	7,393,300.00	-	7,393,300.00	4,488,080.00	2,905,220.00	61%
Repairs & Maintenance	2,730,000.00	-	2,730,000.00	1,709,438.00	1,020,562.00	63%
Kipkelion Farm	2,364,560.00	-	2,364,560.00	2,117,801.00	246,759.00	90%
Totals- Costs & Expenses	75,710,170.40	-	75,710,170.00	61,190,024.20	14,520,146.15	81%
Surplus for the period	1,501,829.60	-	1,501,830.60	(604,819.00)	(2,106,649.60)	

Kabian Tea Farm Company Ltd
Annual report and Financial Statements for the year ended June 30, 2025

	Performance difference 2024-2025	% of utilisation 2024-2025	Explanations on Performance difference exceeding 10%
	Kshs	Xxx%	
Sale of Green Leaf	14,664,397.85	79%	The drop on earnings from other income was occasioned by the drop in volumes of green leaf from budgeted figure of 2,400,000 to 2,042,368.00 and the drop in green leaf price from K.sh. 27.00 to K.sh. 20.00 in the course of the year.
Other Income	1,962,396.95	62%	The difference arose due to low volumes of coffee realized as a result of non application of fertilizer and low sales of the new tea varieties which farmers are yet to embrace.
Plucking	5,071,142.35	82%	The reduction in volume of green leaf from 2,400,000 to 2,042,875 resulted in lower plucking costs.
Fertilizer	2,693,538.00	0 %	This is attributed to non application of fertilizer as a result of stock outs of the Government Subsidized Fertilizer at the NCPB stores.
Weeding	541,428.55	75%	This is a result of used of herbicides to manage weeds as opposed to use of manual weeding.
Nursery Unit Costs	116,087.00	77%	This is attributed to sourcing of new clonal varieties from TRI as opposed to using old varieties from our tea resulting in fewer seedlings potted due to limited cuttings.
Motor Vehicle costs	1,084,244.00	67%	This is a as result of delivery of green leaf to the near by Kabiranga Tea Factory and the reduction in green leaf volume from Prior year (2024-2,504,320.00 to 2025 -2,042,875).
General Overheads	1,226,620.20	45%	Legal fees, Consultancy fees not incurred though they had been budgeted. Dispensary transferred for management by county Health Department.
Repairs & Maintenance	1,020,562.00	63%	No major Repairs on buildings undertaken.
Staff Costs	440,597.95	102%	Increment in General wages by 7% as result of CBA agreement.

19. 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*.

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 year presented

3. 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 year presented

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

Notes to the financial statements (continued)

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. The figures are rounded to the nearest Kenyan shilling.

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

4. 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 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 the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ol style="list-style-type: none"> i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial 	1 January 2026

Kabianga Tea Farm Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2025

Title	Description	Effective Date
	<p>assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and</p> <p>iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.</p>	

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 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.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

Notes to the financial statements (continued)

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.

iii. Early adoption of standards

The Company did not early – adopt any new or amended standards in year under review.

5. Summary of Accounting Policies

The principle 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 entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity 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/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** 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)

Summary of Accounting Policies

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, utilities 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 but disclosed.

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 at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance 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 are:

Notes to the financial statements (continued)

Summary of Accounting Policies

Item	Years	Rates
Freehold Land	Nil	0%
Leasehold Land	Nil	0%
Buildings and civil works	20	5%
Plant and machinery	10	10%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	4	25%
Office equipment, furniture and fittings	8	12.5%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

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.

f) Amortization and impairment of intangible assets

Amortization 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 recognized and the asset is written down to its estimated recoverable amount.

Notes to the financial statements (continued)

Summary of Accounting Policies

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

Summary of Accounting Policies(Continued)

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 from 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. (06)

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 entity 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 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 entity 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 statement of financial position.

Notes to the financial statements (continued)

Summary of Accounting Policies

i) Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

j) 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. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI).

k) 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.

l) 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. These are measured at fair value through profit or loss (FVTPL).

m) 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

Notes to the financial statements (continued)

Summary of Accounting Policies

cost method/ FIFO. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

n) 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 and when the necessary approval to write off is granted.

o) 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 profit or loss statement. 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. 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.

p) 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

Notes to the financial statements (continued)

Summary of Accounting Policies

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 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 entity and the same taxation authority.

q) 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

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

r) 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 various Commercial Banks at the end of the reporting period.

Restricted cash

Restricted cash refers to cash and cash equivalent balances that have usage constraints. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity.

s) 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 amortized cost using the effective interest rate method. Amortized 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 capitalized as part of the cost of the project.

Notes to the financial statements (continued)

Summary of Accounting Policies

t) 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 entity or not, less any payments made to the suppliers.

u) 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. 36,000.00 per employee per month.

v) Provision for staff leave pay

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

w) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity 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 recognized in profit or loss.

x) Budget information

The original budget for FY 2024-25 was approved by the Board of Directors on 02/05/2024. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

y) 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.

z) Comparative figures

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

aa) 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, 2025.

Notes to the financial statements (continued)

6. 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.

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 for 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. 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.

Notes to the financial statements (Continued).

7. Revenue Green Leaf Tea.

Description	2024/2025	2023/2024
	Kgs/Kshs	Kgs/Kshs
Volume of Green leaf		
Momul Tea Factory Ltd	92,337.40	
Kabianga Tea Factory Ltd	1,600,150.00	2,473,230.10
Tet Tea Factory Ltd	294,400.00	
Kipkebe ltd (Sasini)	55,988.30	31,090.00
Total Volume (Kgs)	2,042,875.70	2,504,320.10
Revenues		
Momul Tea Factory (Monthly Earnings)	2,123,760.20	
Momul Tea Factory (Second Payment)	2,954,796.80	
Kabianga Tea Factory	42,724,067.00	66,804,212.70
Tet Tea Factory Ltd	7,825,335.00	
Kipkebe Ltd (Sasini)	1,707,643.15	948,245.00
*Bonus (kabianga Factory)	-	932,886.80
Total Gross Sales of Green Leaf Tea(Ksh)	57,335,602.15	68,475,439.50

8. Cost of Sales.

Description	2024/2025	2023/2024
	Kshs	Kshs
Plucking	23,488,857.60	28,213,321.10
Fertilizer	-	3,602,529.10
Weeding	1,663,893.45	2,066,928.20
Nursery Unit	399,313.00	192,232.00
Pruning	1,729,580.00	1,674,763.30
Transport Costs	1,611,134.00	1,849,880.00
Total	28,892,778.10	37,599,653.60

Notes to the financial statements (Continued).

9. Finance Income.

Description	2024/2025	2023/2024
	Kshs	Kshs
Interest from commercial banks	270.00	246.00
Interest on staff loans	3,040.00	5,341.45
Dividends	5,341.45	4,173.00
Total	8,651.45	9,760.45

10. Other Income.

Description	2024/2025	2023/2024
	Kshs	Kshs
Water	-	21,470.00
Rent	120,000.00	153,000.00
Tea Plants(Nursery)	460,485.00	495,620.00
Tree Plants(Nursery)	236,985.00	293,215.00
Coffee Sales(Kipkelion Farm)	2,403,981.60	836,436.80
Mature Trees(Grivelia)	-	100,000.00
Other miscellaneous receipts	19,500.00	105,480.00
Total	3,240,951.60	2,005,221.80

11. Administration Costs.

Description	2024/2025	2023/2024
	Kshs	Kshs
Directors' emoluments	1,169,625.00	1,663,420.00
Electricity and water	524,544.20	779,553.70
Communication services and supplies	182,778.00	174,825.00
Transportation, travelling and subsistence	2,072,567.00	2,663,214.00
Advertising, printing, stationery and photocopying	258,310.00	249,510.50
Staff Training	-	180,000.00
Hospitality supplies and services	334,575.00	413,873.00
Insurance costs	25,500.00	311,073.20
Bank charges and commissions	57,120.00	31,835.00
Office and general supplies and services	218,806.00	361,661.00
Auditors' remuneration	120,000.00	120,000.00

Kabianga Tea Farm Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

Description	2024/2025	2023/2024
	Kshs	Kshs
Consultancy fees	-	-
Licenses and permits	32,500.00	1,050.00
Repairs and maintenance	1,709,438.00	1,856,066.00
Depreciation	117,229.60	121,929.00
Amortization	-	-
Kipkelion Farm	2,117,801.00	2,052,059.00
Other operating expenses (Note 11 (a))	930,800.00	657,540.00
Total	9,871,593.80	11,637,609.40

11 (a) Re-statement of Administration Costs (Other Operating Expenses) .

Other Operating Expenses	2024/2025	2023/2024
	Kshs	Kshs
Other Expenses	1,390,424.00	893,440.00
Training Levy	(200,960.00)	(214,900.00)
Internship	(143,025.00)	(21,000.00)
Nssf Penalty	(115,639.00)	
Sub -Total	(459,624.00)	(235,900.00)
Re-stated Other Operating Expenses	930,800.00	657,540.00
Administration Expenses	10,331,217.70	11,873,509.40
Training Levy	200,960.00	(214,900.00)
Internship	143,025.00	(21,000.00)
Nssf Penalty	115,639.00	
Sub -Total	(459,624.00)	(235,900.00)
Re-stated Administration Expenses	9,871,593.70	11,637,609.40

Notes to the financial statements (Continued).

12. Staff Costs.

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries and allowances of permanent employees	9,558,598.70	8,697,125.90
Wages of temporary employees	4,380,490.60	5,413,460.75
Medical insurance schemes	-	-
Employer's contributions to national social security schemes	2,404,324.00	2,670,607.90
Employer's contributions to pension scheme	746,499.40	704,660.60
Leave pay	2,452,134.40	2,381,467.80
Gratuity Provisions	221,398.80	241,051.20
Back Pay	1,538,807.35	424,930.00
Housing Levy Contribution	624,490.00	504,014.20
Staff welfare	39,284.00	82,474.00
Training Levy (Note 12 (a))	200,960.00	214,900.00
Nssf Penalty (Note 12 (a))	115,639.00	-
Internships (Note 12 (a))	143,025.00	21,000.00
Total	22,425,652.35	21,355,692.55
The average number of employees at the end of the year was:		
Permanent employees – Management	5	5
Permanent employees – Unionisable	47	54
Temporary and contracted employees	349	374
Total	401	433

12 (a) Re-statement of Staff Costs.

Description	2024/2025	2023/2024
	Kshs	Kshs
Staff Costs	21,966,028.35	21,119,792.55
Training Levy	200,960.00	214,900.00
Internship	143,025.00	21,000.00
Nssf Penalty	115,639.00	
Sub -Total	459,624.00	235,900.00
Re-Stated Staff Costs	22,425,652.35	21,355,692.55

Notes to the financial statements (continued)

13. Operating Profit/Loss.

Description	2024/2025	2023/2024
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (Note 12 (a))	22,425,652.35	21,355,692.55
Depreciation of property, plant and equipment	117,229.60	121,929.00
Amortisation of intangible assets	-	-
Provision for bad and doubtful debts	-	-
Directors' emoluments – fees	983,000.00	1,434,800.00
- other	186,625.00	228,620.00
Auditors' remuneration - current year fees	120,000.00	120,000.00
- prior year under-provision	(4,000.00)	(4,000.00)
Interest Receivable	(3,040.00)	(4,419.00)
Interest Payable	-	-
Rent receivable	(120,000.00)	(153,000)

14. Income Tax Expense/Credit.

(a) Current Taxation.

Description	2024/2025	2023/2024
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	(169,991.50)	(91,849.10)
Current tax: prior year under/(over) provision		
Current year deferred tax charge		
Prior year under-provision for deferred tax		
Total	(169,991.50)	(91,849.10)

Notes to the financial statements (continued)

(b) Reconciliation of Tax Expense/(Credit) to the expected tax based on accounting Profit.

Description	2024/2025	2023/2024
	Kshs	Kshs
Profit before taxation	(604,819.00)	(102,533.80)
Tax at the applicable tax rate of 30%	(181,445.70)	(30,760.10)
Current tax	-	
Prior year under-provision	-	
Tax effects of expenses not deductible for tax purposes	43,691.70	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	(32,237.50)	(61,088.90)
Deferred tax prior year over-provision	-	-
Total	(169,991.50)	(91,849.10)

15. 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 no dilutive or potentially dilutive ordinary share as at the reporting date.

16. Dividends.

During the course of the Year the farm remitted Ksh. 500,000.00 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.

17. Statement of Cash Flows for The Year Ended 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM/(USED IN) OPERATIONS	32	(557,397)	2,354,423
Interest received			
Interest paid			
Dividends paid			
Taxation paid		(44,614)	(520,902)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		(602,011)	1,833,521
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			
Dividends paid		(500,000)	(2,000,000)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		(500,000)	(2,000,000)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,102,011)	(166,479)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		15,205	181,684
Effects of foreign exchanges rate fluctuations			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		(1,086,806)	15,205

Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30, 2025

18. Property, Plant and Equipment

2025	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, 2024							
Additions							
Transfers							
Disposals							
At June 30, 2025	44,760,000	26,638,934	4,760,098	21,235,309	736,854	651,037	98,782,233
DEPRECIATION							
At July 1, 2024		26,638,934	4,706,578	21,235,309	729,729	575,892	53,886,442
Charge for the year		-	34,960	-	7,125	75,145	117,230
Impairment loss							
Eliminated on disposal							
At June 30, 2025	-	26,638,934	4,741,538	21,235,309	736,854	651,037	54,003,672
NET BOOK VALUE At June 30, 2025	44,760,000	-	18,560	-	-	-	44,778,561

Property, Plant and Equipment (Continued)

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

Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2025

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	4,410,498.60	441,049.00
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	53,042,975.95	7,265,146.20

19. Intangible Assets

Description	2024/2025 Kshs	2023/2024 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	-	-

Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

20. Biological Assets.

Description	2024/2025	2023/2024
	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

21. Inventories.

Description	2024/2025	2023/2024
	Kshs	Kshs
General Stores	120,739.00	62,400.00
Nurseries	266,220.00	338,172.00
Total	386,959.00	400,572.00

22. (a) Trade and Other Receivables

Description	2024/2025	2023/2024
	Kshs	Kshs
Trade receivables (note 22 (b))	8,025,547.90	5,435,610.50
Staff receivables (note 22 (c))	356,488.00	419,309.00
Other receivables (note 22 (c))	574,005.00	574,005.00
Gross trade and other receivables	8,956,040.85	6,428,924.50
Provision for bad and doubtful receivable	(2,089,886.00)	(2,089,886.00)
Net trade and other receivables	6,866,154.85	4,339,038.50
Amounts due after one year (22 (c))	(32,002.00)	(64,420.00)
Amounts Due Within one year	6,834,152.85	4,274,618.50

Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

(b) Trade Receivables.

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross trade receivables	8,025,547.90	5,435,610.50
Provision for doubtful receivables	(1,279,610.00)	(1,279,610.00)
Net trade receivables	6,745,937.90	4,156,600.50
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	6,844,869.40	4,350,142.60
Between 30 and 60 days	75,430.65	55,630.00
Between 61 and 90 days	34,945.10	16,750.00
Between 91 and 120 days	54,650.55	26,540.20
Over 120 days	1,015,652.2	986,547.70
Total	8,025,547.90	5,435,610.50

(c) Staff Receivables

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross staff loans and advances	356,488	419,309
Other Receivables	574,005	574,005
Gross Staff & Other Receivables	930,493	993,314
Provision for impairment loss	(810,276)	(810,276)
Net staff loans/Advances	120,217	183,038
Less: Amounts due within one year	(88,215)	(118,618)
Amounts due after one year	32,002	64,420

(d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2024-2025	2023-2024
	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

Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

23. Tax Recoverable.

Description	2024/2025	2023/2024
	Kshs	Kshs
At beginning of the year	1,171,349	558,598
Income tax charge for the year (note 14 (b))	169,991	91,849
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	44,614	520,902
At end of the year	1,385,954	1,171,349

24. Bank and Cash Balances.

Description	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	(1,110,720.00)	7,355.00
Cash in hand	23,915.00	7,850.00
Totals	(1,086,805.00)	15,205.00

The bulk of cash was held at Co-operative Bank of Kenya Ltd – the Company’s main bankers.

Detailed analysis of the cash and cash equivalents

Description		2024/2025	2023/2024
Financial institution	Account number	Kshs	Kshs
a) Current accounts			
Cooperative Bank-Ksh	01136053920600	(1,134,377.46)	(16,032.05)
KCB Bank Ltd	1118952898	6,624.00	6,354.00
Cooperative Bank-Usd converted		17,033.20	17,033.20
Sub- total		(1,110,720.26)	7,355.00
b) Others(specify)			
Cash in transit		-	-
Cash in hand		23,915.00	7,850.00
Sub- total		23,915.00	7,850.00
Grand total		(1,086,805.26)	15,205

Notes to the financial statements (continued)

25. Ordinary Share Capital.

Description	2024/2025	2023/2024
	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

26. 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.

27. 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.

28. 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.

Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

29. Trade & Other Payables

Description	2024/2025	2023/2024
	Kshs	Kshs
Trade payables	441,535.85	629,444.25
Accruals	277,549.50	273,549.50
Gratuity	2,319,864.20	2,285,753.60
Back Pay (CBA)	1,538,807.35	-
Other payables(Payroll)	3,230,693.75	2,176,007.80
	7,808,450.65	5,364,755.10
	=====	=====

30. 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 form 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 employees earnings capped at a maximum of Ksh. 36,000.00 per month. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

31. Provisions.

Description	2024/2025	2023/2024
	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.

Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

32. Notes to the Statement of Cash Flows.

Description	2024-2025	2023/2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or (loss) before tax	(604,819.00)	(102,533.80)
Depreciation	117,229.60	121,929.00
Amortization	-	-
Operating profit/(loss) before working capital changes	(487,589.40)	19,395.20
	-	-
(Increase)/decrease in inventories	13,613.00	81,648.00
(Increase)/decrease in trade and other receivables	(2,527,116.15)	4,792,603.00
Increase/(decrease) in trade and other payables	866,777.60	(2,550,159.70)
Increase/(decrease) in retirement benefit obligations	1,576,917.90	10,937.00
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	(557,397.15)	2,354,423.40
(b) Analysis of cash and cash equivalents		
Short term deposits		
Cash at bank	(1,110,720.26)	7,355
Cash in hand	23,915.00	7,850
Balance at end of the year	(1,086,805.26)	15,205

33. 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

Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

Transactions with related parties

Description	2024-2025	2023-2024
	Kshs	Kshs
a) Purchases from related parties		
Purchases of electricity from KPLC	524,544.00	779,553.70
Training and conference fees paid to govt. agencies		
Total	524,544.00	779,553.70
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for Kipkelion Coffee Farm Employees	1,875,431	1,645,279.00
Payments for goods and services for Kipkelion Coffee farm	242,370	406,780.00
Total	2,117,801	2,052,059.00
c) Key management compensation		
Directors' emoluments	1,169,625	1,696,950
Compensation to key management	4,516,442	3,906,000
Total	5,686,067	5,602,950

34. 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

Notes to the financial statements (continued)

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 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.

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.

Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

Description	Less than 1	Between 1-3	Over 5	Total
	month	months	months	
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade payables	75,151.00	35,969.00	330,414.55	441,535.85
Total	75,151.00	35,969.00	330,414.55	441,535.85
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

(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 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.

Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

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.

(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	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	78,423,502	78,423,502
Retained earnings	3,407,988.65	4,342,818
Capital reserve	100,000	100,000
Total funds	81,931,491.00	82,866,320
Total borrowings		
Less: cash and bank balances	(1,086,805.20)	(15,205.15)
Net debt/(excess cash and cash equivalents)	82,602,549	82,851,114
Gearing		

35. Incorporation.

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

36. Events after the reporting period.

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

37. Currency.

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

20. Appendices

Appendix 1: 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			Status:	Timeframe:
No. on the external audit Report	Issue / Observations from Auditor	Management comments	(Resolved / Not Resolved)	(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	30/06/2026
4.6	Valuation of Assets	The County Government of Kericho is in the process of undertaking valuation for all its property	Not Resolved	30/06/2027
4.9	Motor Vehicles with Private Number Plates	To replace with parastatal plates when applying for new digital plates.	Not resolved	30/06/2026
4.10	Non Compliance with affirmative action on gender/ethnicity/	No new engagements done	Not Resolved	30/06/2028.


Kabianga Tea Farm Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 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)
	regional distribution.			
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.
4.13	KCB Bank- Dormant 'A/c 1118952898'	To close the Account	Not resolved	30/06/2026.

Name

Chief Executive Officer

Signature

DAVID SAWE


Date

4/12/2025



Handwritten text, possibly a signature or initials, located in the center of the page.

Handwritten text, possibly a signature or initials, located in the lower-left quadrant of the page.