

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

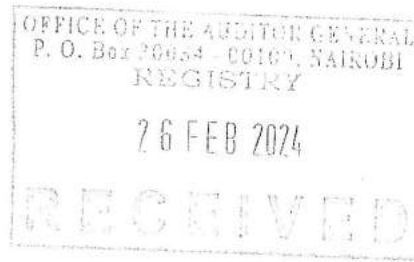
OF

THE AUDITOR-GENERAL

ON

TEA BOARD OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2023**



TBK

TEA BOARD OF KENYA

Realizing the Tea Promise

THE TEA BOARD OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023**

**Prepared in accordance with the Accrual Basis of Accounting Method under
the International Public Sector Accounting Standards (IPSAS)**

The Tea Board of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2023.

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MDAs	Ministries, Departments and Agencies
MOALD	Ministry of Agriculture and Livestock Development
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
TBK	Tea Board of Kenya

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

Board – Means the Tea Board of Kenya

2. Key Entity Information and Management

(a) Background information

The Tea Board of Kenya (TBK) is a State Corporation under the Ministry of Agriculture and Livestock Development established under Section 3 of Tea Act, 2020. The Tea Act came into effect on 11th January 2021. The Tea Board of Kenya is located on Naivasha Road, Off-Ngong Road and has two regional offices, one in Mombasa at NSSF building and the other in Kericho at Ndege Chai building off Kericho-Kisumu Road. TBK has the following directorates and departments;

- (i) Compliance and Surveillance Directorate;
- (ii) Registration, Licensing and Standards Directorate;
- (iii) Capacity Building, Research and Innovation Directorate;
- (iv) Trade Advisory, Promotion and Marketing Directorate;
- (v) Corporate Services Directorate;
- (vi) Corporation Secretary/Legal Services Directorate;
- (vii) Internal Audit and Risk Assurance Directorate;
- (viii) Planning and Strategy Department;
- (ix) Supply Chain Management Department; and
- (x) Tea Fund

(b) Principal Activities

The mandate of the Board as provided for under the Tea Act 2020 is regulation, development and promotion of the tea industry.

Functions

The following are the functions of the Board as provided for under Tea Act, 2020:

- (1) Develop, promote and regulate the development of the tea industry;
- (2) Co-ordinate the activities of individuals and organizations within the tea industry;
- (3) Facilitate equitable access to the resources, facilities and benefits of the tea industry by all interested parties;
- (4) Make recommendations to the Cabinet Secretary on the formulation of policies, plans and strategies for the regulation of the tea sector;
- (5) Register tea factories, small scale tea growers, medium scale tea growers, large scale tea growers, warehouse operators, tea packers, tea buyers, exporters, importers, tea brokers, management agents, tea auction organizers, commercial tea nurseries and commercial green leaf transporters;
- (6) License manufacturers;

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- (7) Promote best practices and standards in the production, processing, marketing grading, storage, collection, transportation and warehousing of tea;
- (8) Facilitate marketing and distribution of tea through gathering and dissemination of market information and monitoring of the local and global supply demand situation;
- (9) Co-ordinate prioritization of research in tea;
- (10) Regulate the sale, import and exports of tea;
- (11) Develop, implement and coordinate a national tea marketing strategy;
- (12) Prescribe the maximum period and minimum amount for payment of green leaf;
- (13) Promote and advise on strategies for value addition and product diversification;
- (14) Promote demand and consumption of tea locally and internationally;
- (15) Identify market needs and trends and advise the Cabinet Secretary on issues related to national and international tea trade;
- (16) Collaborate with national and international trade bodies on tea related matters;
- (17) Monitor, conduct surveillance and enforce compliance with tea standards, the Act and any regulations made under it;
- (18) Advise the national government on levies, fees and import or export duties on tea;
- (19) Advise the county governments on agricultural cess and fees;
- (20) Oversee the efficient utilization of available Board's funds;
- (21) Undertake capacity building, technology transfer and technical assistance to the counties on matters related to tea; and
- (22) Carry out such other functions as may be assigned to it by the Act, and any written law while respecting the roles of the two levels of governments.

Vision

“To make Kenya Tea the preferred beverage in the world”

Mission

“To sustainably develop and promote the tea value chain through effective regulation for economic growth and transformation”.

Core Values



Integrity;



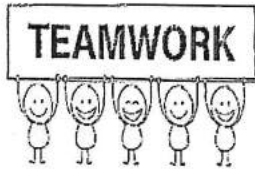
Customer focus;



Commitment;



Responsiveness;



Teamwork



Collaboration.



Innovation and continuous learning;

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(c) Key Management

The Tea Board of Kenya day-to-day management is under the following key organs:

No.	Designation	Name
1.	Ag. Chief Executive Officer/Corporation Secretary	Peris Mudida
2.	Director, Trade Advisory, Promotion & Marketing	Rosemary Owino
3.	Director, Compliance and Surveillance	Samuel Njane
4.	Ag. Director, Registration, Licensing & Standards	Julius Kingóo
5.	Ag. Director, Capacity Building & Research	Willy Mutai
6.	Director, Corporate Services	Peter Macharia
7.	Director, Planning and Strategy	Peter Kibiku
8.	Director, Internal Audit & Risk Assurance	Beatrice Githinji
9.	Ag. Principal Supply Chain Management Officer	Nancy Wambui

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Ag. Chief Executive Officer/Corporation Secretary	Peris Mudida
2.	Director, Trade Advisory, Promotion & Marketing	Rosemary Owino
3.	Director, Compliance and Surveillance	Samuel Njane
4.	Ag. Director, Registration, Licensing & Standards	Julius Kingóo
5.	Ag. Director, Capacity Building & Research	Willy Mutai
6.	Director, Corporate Services	Peter Macharia
7.	Director, Planning and Strategy Department	Peter Kibiku
8.	Director, Internal Audit & Risk Assurance	Beatrice Githinji
9.	Deputy Director, Finance & Accounts Department	John Kariuki
10.	Deputy Director, Human Resource & Administration	Serah Muchunu
11.	Deputy Director, Information and Communications Technology	Amos Mulievi
12.	Principal Officer, Corporate Communication	Enock Matte
13.	Ag. Principal Supply Chain Management Officer	Nancy Wambui

(e) Fiduciary Oversight Arrangements

Audit and Risk Committee

The Committee of the Board is responsible for reviewing the systems that have been established at TBK to ensure sound public financial management and internal controls, formulate risk management policies as well as ensure compliance with policies, laws, regulations, procedures, plans and ethics. The Committee's role is to ensure integrity in the Board's financial reports, review financial and statutory reporting obligations, advice on risk identification and mitigation measures, and check on the effectiveness and robustness of internal control measures.

Human Resource and Finance Committee

The Committee of the Board oversees staff and finance matters of the Board and provide oversight role on matters relating to staff, finance and general management of the Board. Specific roles include oversight in formulation of the strategy and human resource instruments, implementation of staff remuneration, review and setting of performance targets, negotiate with government on performance contract and approve quarterly performance and end-year evaluation reports. Consider and recommend for approval by the Board the operational and administrative policies and procedures; consider progress reports on financial matters; formulation of procurement plans and also recommend for the Board's approval the annual financial budgets for TBK as well as quarterly financial performance reports.

Office of the Auditor General (OAG)

The Office of the Auditor General (OAG) audits and report on the use and management of public resources entrusted with the Board with the aim of providing valuable information on whether the resources have been utilised efficiently and effectively towards realisation of the Boards service delivery objectives.

Parliamentary Committee Activities

The Public Investment Committee is responsible for the examination of the reports issued by the Auditor General on financial statements and affairs of the Board in relation to the management of public resources entrusted with the Board.

Inspectorate of State Corporations (ISC)

The Inspectorate of State Corporations ensures that there is effective management of the Board by advising on all matters affecting effective running

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of the Board; evaluating actual results of operations and management by the Board; advising on the administration of performance contracts; periodically reporting to the relevant arms of Government on management practices within the Board; monitoring utilization of moneys appropriated by Parliament; conducting special investigations on any state corporation on behalf of the State Corporations Advisory Committee and the Auditor-General.

(f) TBK Headquarters

P.O. Box 20064-00200
Tea House
Naivasha Road, off Ngong Rd
NAIROBI, KENYA

(g) TBK Contacts

Telephone: (254) 722200556/734600944
E-mail: info@teaboard.or.ke
Website: www.teaboard.or.ke

(h) TBK Bankers

National Bank of Kenya Ltd
Harambee Avenue
P.O. Box 72866-00200
NAIROBI, KENYA

Citibank N.A Kenya
Upperhill Road
P.O Box 30711-00100
NAIROBI, KENYA
Co-operative Bank
Parliament Road
P.O Box 48231-00100
NAIROBI, KENYA

(i) Independent Auditor

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

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(j) Principal Legal Adviser

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

3. The Board of Directors

Directors

1.



Name: Dr. David Kiarie Mburu
Designation: Chairman of the Board
Date of Birth: 08th January 1977
Term: 17th June, 2022 – 6th June 2023

Details

Dr. Mburu has a wealth of experience in Public Service having held various academic and administrative positions in several universities. His academic research interests are in the areas of sustainable supply chain management, operations management and risk and fraud management.

Dr. Mburu holds a PhD, in Supply Chain Management, MSc. Procurement and Logistics and BA, Economics/Sociology.

2.



Name: Mr. Jacob Kamau Kahi
Designation: Chairman of the Board

Mr. Jacob Kamau Kahi is a seasoned tea expert having a wealth of experience in tea matters spanning over forty-five years. He holds an “A” level certificate and has trained on tea matters in the UK at the London Tea Auction. After training, he joined Unilever Tea as one of the country managers. In 1987, he founded his own tea company and retired in the year 2023.

Date of Birth: 2nd December 1953

Term Appointed on 7th – 30th June 2023

3.



Name: Mr. Charles Mwangi Kirigwi

Designation: Non-Executive

Independent Director, representing Small Scale and Medium Scale Tea Growers-East of Rift Block

Date of Birth: 28th February 1972

Term: Appointed on 14th January, 2022

Mr. Kirigwi has vast experience in tea matters having served in different Boards within the tea sub-sector. He has served as a Director at Ikumbi Tea Factory (2007-2013) and a Board Member of Kenya Tea Development Agency (KTDA) between 2009-2012. He has also served in the Board of Management of several schools. He has experience both in the Public and Private Sector having worked with the County Government of Muranga as a Member to the County Assembly and in various capacities in the Banking industry.

He is also a tea grower in Murang'a County and chairs the Strategy, Market Promotion and Research & Development Committee of the Board.

Mr. Kirigwi holds a B.Sc. (Information Technology), Muranga University of Technology - 2017 and a Diploma (Banking), Kenya National Examinations Council -1996. He is currently pursuing a Masters Degree in Information Technology. He has acquired skills in Corporate Governance and is also a Member of the Computer Society of Kenya.

4.



Name: Ms. Florence Nkatha Mutembei
Designation: Non-Executive Independent Director, representing Small Scale and Medium Scale Tea Growers - East of Rift Block
Date of Birth: 04th July 1979
Term: Appointed on 14th January, 2022

Ms. Mutembei has wide experience in Business and also in Co-operatives having worked in Thamani SACCO Ltd. - Chuka at various management levels. She serves in the Board of management of Gianchuru Secondary School. She is the Chairperson of Murang'a University Alumnae and is also a tea grower in Tharaka Nithi County. She chairs Human Resources and Finance Committee of the Board.

Ms. Mutembei holds a Bachelor of Business Management (Accounting Option) from Mount Kenya University (2016). She is a Certified Public Accountants Part I and CCP Part II.

She has also attended several Corporate Governance courses.

5.



Name: Ms. Mary Jeruto Indeje (Late)

Ms. Mary Indeje has a wealth of experience in the Public Service having served at various Management levels in the County Government occupational health and safety department and in different capacities in several health facilities country-wide. At the County Government, she has served in several Management Committees such as COVID-19 Stakeholder Committee, Technical Committee, and Social Risk Management Committee.

She is also a Commissioner at St. Johns Ambulance and a tea grower in Vihiga County. She

Designation: Non-Executive Independent Director, representing Small Scale and Medium Scale Tea Growers- West of Rift Block

Date of Birth: 11th September 1970

Term: Appointed on 14th January, 2022 and served up to 21st May 2023

6.



Name: Mr. Kennedy Mochere Kaburi

Designation: Non-Executive Independent Director, representing Small Scale and Medium Scale Tea Growers- West of Rift Block

Date of Birth: 24th October 1968

Term: Appointed on 14th January, 2022

chaired the Regulation, Compliance, and Capacity Building Committee of the Board. She has several qualifications in Nursing such as B.Sc., Diploma, and Certificate.

She has also been trained in Corporate Governance.

Mr. Kaburi has a wide experience in Business especially in Real Estate and property Management. He has also served in the Board of other Public Institutions such as Board of Management of Sunshine Secondary School and Loreto Girls School, respectively.

Mr. kaburi is also a tea grower in Nyamira County and chairs the Audit and Risk Committee of the Board.

Mr. Kaburi holds a Bachelor of Commerce (Accounting & Auditing option) degree.

He has also been trained in Corporate Governance.

7.



Name: Mr. Josephat Gathiru Muhunyu

Designation: Alternate to the Principal Secretary, Ministry of Agriculture and Livestock Development

Date of birth: 1st January, 1963

Term: Appointed on 21st January, 2022

Mr. Muhunyu has vast experience in the Public Service and over 20 years serving in various technical, management and leadership capacities at the Ministry of Agriculture. He is currently the Agriculture Secretary at the Ministry of Agriculture, Livestock, Fisheries and Co-operatives. He has served in several Boards of State Corporations as a representative of the PS, for Agriculture, Livestock, Fisheries and Co-operatives.

Mr. Muhunyu holds a Master degree in Agricultural Sciences (Sustainable Rural Development), a Bachelor of Science degree in Agriculture and a Post Graduate Diploma in Education.

He has attended strategic leadership development programs and senior management course as well as courses on risk communication on biotechnology & biosafety aspects and project management cycle and monitoring & evaluation.

Mr. Muhunyu is currently pursuing a PhD in Dry-land Agriculture & Resource Management.

8.



Name: Mr. Anthony Ndegwa Nderitu
Designation: Alternate to the Principal Secretary, National Treasury
Date of birth: 6th February, 1977
Term: Appointed on 10th March, 2022

Mr. Nderitu has vast experience in the Public Sector having worked with the National Treasury for over 16 years in Public Finance Management; Government Investment and Public Enterprises operations. He has also worked in the Private Sector (Dairy industry) in Sales Accounting and Internal Controls.

He has served in several Boards of the State Corporations as a representative of the PS, National Treasury.

Mr. Nderitu holds a Bachelor of Commerce degree Accounting Option and is a Certified Public Accountant of Kenya (CPA-K).

9.



Name: Mr. Michael Sali Mandu
Designation: Alternate to the Principal Secretary, Ministry of Trade

Mr. Mandu has vast experience in the Public Sector spanning over 30 years out of which 7½ were in the Diplomatic Service. He has served in several Boards of State Corporations as a representative of the PS, for Trade and Enterprise Development. He has also been involved in various export promotion programs as a trade negotiator in trade bilateral engagements and headed the Secretariat that helped midwife the Kenya-UK Economic Partnership Agreement (EPA). He is currently leading the Kenya-UAE EPA negotiations Secretariat. Mr. Mandu holds a Bachelor of Arts degree and a Post Graduate

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Date of birth: 9th October, 1968

Term: Appointed on 13th June, 2022

10.



Name: Ms. Peris Mudida

Designation: Ag. Chief Executive Officer/ Corporation Secretary.

Date of birth: 30th March, 1972

Term: Appointed on 1st July, 2021

Diploma in Entrepreneurship development. He is also trained in Strategic Leadership.

Ms. Mudida has vast experience spanning over 20 years in both the public and private sector. She has over 12 years' experience in the tea industry in various management and leadership positions and is currently serving as the Ag. Chief Executive Officer and Corporation Secretary of the Tea Board of Kenya. Ms. Mudida has been involved in spearheading reforms in the tea industry and formulation and implementation of various regulations for the tea industry and other crops while under the Agriculture and Food Authority.

Ms. Mudida is an advocate of the High Court of Kenya and a Certified Public Secretary. She holds a Bachelors of Law Degree (LL.B Hons), a Post Graduate Diploma in Law, a Diploma in Business Management and a Certificate in Supply Chain. She is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. She is currently pursuing a Master Degree in Law at the University of Nairobi.

She is trained in corporate governance and has undertaken various leadership development and senior management courses.

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11. Corporation Secretary

Ms. Peris Mudida who is currently serving as the Ag. CEO is also the Corporation Secretary/ Director, Legal Services at the Tea Board of Kenya.

4. Key Management Team

Management

1.



Peris Mudida

Director, Legal Services / Ag. Chief Executive Officer

Bachelor of Laws Degree (LLB Hons); Certified Public Secretary CPS(K); Post Graduate Diploma in Law; Diploma in Business Management; Certificate in Supply Chain Management; Advocate of the High Court of Kenya; Member Law Society of Kenya (LSK) and Member of the Institute of Certified Public Secretaries of Kenya (IPS).

Details

Responsible for the day-to-day management of the affairs of the Board. Ensuring the achievement of the mandate, objectives and strategy of the Board through formulation of policies, prudent management of resources, including financial and human resources. Implementation of the Board of Directors decisions and enhancing the corporate image of the Board.

2.



Peter K. Macharia
Director, Corporate Services

Master of Business Administration – Finance option(ongoing); Bachelor of Arts (Economics); Certified Public Accountant (CPA); Member of the Institute of Certified Public Accountants of Kenya (ICPAK);

Responsible responsible for efficient and effective management of finance, accounts, human resource, administration, information communication technology and corporate communication functions of the Board.

3.



Rosemary A. Owino

Responsible for the overall coordination and management of trade advisory, promotion and marketing function in the tea industry.

**Director, Market Development & Trade
Advisory Services**

Master in Business Administration (Marketing option); Bachelor of Science (Biochemistry option); Chartered Institute of Marketing (CIM) Post Graduate Diploma in Marketing; Member of the Marketing Society of Kenya (MSK)

4.



Samuel N. Njane

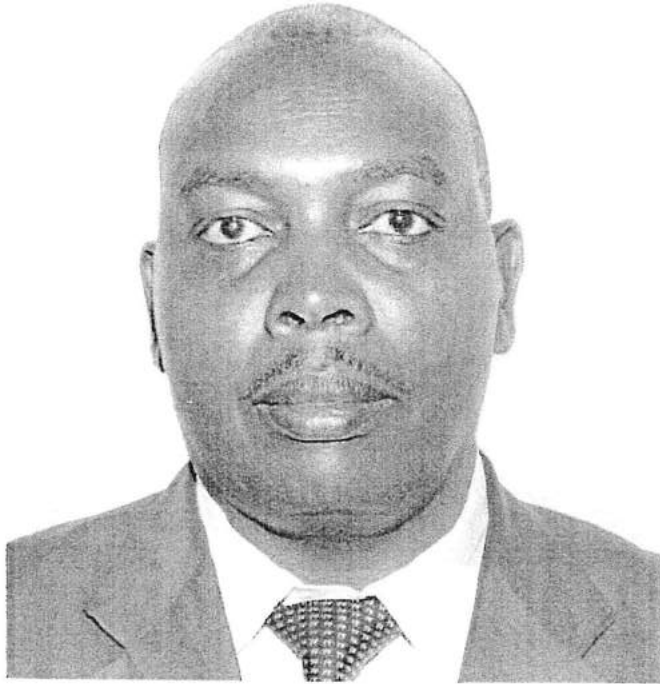
Director, Enforcement & Compliance

Master of Business Administration (Strategic Management); Bachelor of Science in Agricultural Education and Extension; Diploma in Principles of Modern Management; Diploma in Sales & Marketing; Diploma in Advertising & Public Relations; Member of Kenya Institute of Management (KIM)

Responsible for the overall coordination and management of Compliance, Monitoring and Surveillance function of the Board.

He coordinates compliance with the Tea Act 2020, regulations and standards in the production, processing, marketing, grading, storage, collection, transportation and warehousing of tea. His role also includes overseeing the development, implementation and review of policies, strategies, standards, plans and regulations on compliance and surveillance.

5.



Julius Mwanzia King'oo

Ag. Director, Registration, Licensing & Standards

Master of Business Administration (Strategic Management); Bachelor of Science in Food Science and Technology (First Class Hons.); A Lead Auditor and Lead Tutor in Managements Systems: Quality Management, Food Safety Management, Environment Management; Occupational Health & Safety and Sector- and Customer-Specific Schemes. Member of Kenya Institute of Food Science & Technology Platform of Kenya (FOSTEP-K).

Responsible for the overall coordination and management of Registration, Licensing & Standards and quality control functions of the Board.

He coordinates all licensing and registration of stakeholders dealing in tea, development of standards in production, processing, marketing, grading, storage, collection, transportation and warehousing of tea and in quality control of tea produced in Kenya. His role also includes overseeing the development, implementation and review of policies, strategies, standards, plans and regulations on Registration, Licensing & Standards.

6.



Willy K. Mutai
Ag. Director, Technical & Advisory
Services

Master's in Business Administration (ongoing); Bachelor of Science in Agriculture; Diploma in Human Resource Management; Member of the Kenya Institute of Management (KIM);

Responsible for the overall coordination and management of capacity building, research and innovation function of the Board.

7.



Responsible for developing, implementing and review of policies and strategies for the organization; performance management; monitoring & evaluation of programmes and activities; and enterprise risk management.

PETER N. Kibiku

Director, Planning and Strategy

Master of Business Administration;
Bachelor of Science; SPSS; Member of
Operations Management Society of Kenya

8.



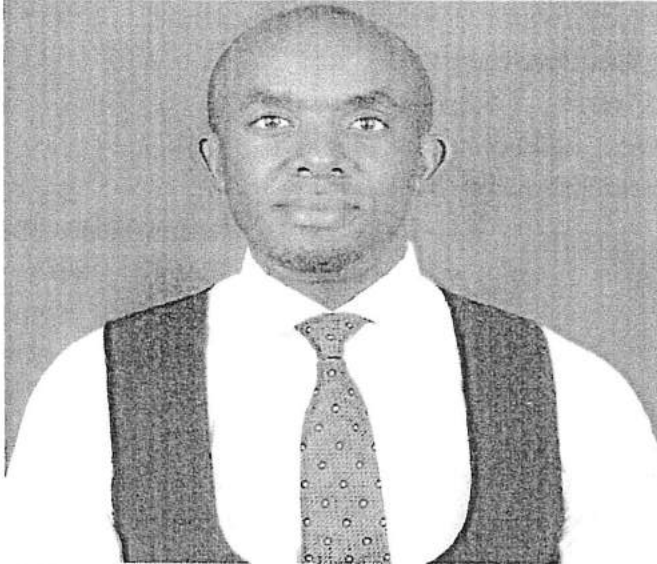
Beatrice W. Githinji

Director, Risk and Internal Audit

Master of Business Administration (Finance option); Bachelor of Arts (Economics); Certified Public Accountants (K); Certified Information Systems Auditor (CISA); Member of Institute of Certified Public Accountants of Kenya; Member of Information Systems Audit and Control Association (ISACA); Member of Institute of Internal Auditors (IIAK)

Responsible for providing the Board with independent, objective assurance and consulting services to add value to and improve operations. Also responsible for ensuring that the Board accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management, control and governance processes.

9.



John Kariuki

Deputy Director, Finance

Master of Finance; Bachelor of Commerce;
Certified Public Accountant (CPA-K); Member
of the Institute of Certified Public
Accountants of Kenya (ICPAK);

Responsible for budget and budgetary control, working capital management, financial reporting, development and implementation of sound accounting and financial management systems.

10.



Amos M. Mulievi

**Deputy Director, Information,
Communication Technology**

Responsible for providing and promoting the use of information communication technology innovatively in delivery of services towards realization of the Board's mandate.

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Masters in Information Systems; Post Graduate Diploma in Computer Science; Bachelor of Education (Mathematics); Certified Information Systems Auditor; Member of Information Systems Audit and Control Association (ISACA)

11.



Responsible for managing the strategic communications with a view to enhancing the visibility of the Organization.

**Enock Matte
Assistant Director, Corporate
Communications**

Master of Arts (ongoing); Bachelor of Arts (Communication option); Member of the Public Relations Society of Kenya (PRSK)

12.



Serah N. Muchunu

Ag. Deputy Director, Human Resource & Administration

Master of Science - Human Resource Management option (ongoing); Bachelor of Business Administration & Management; Certified Human Resource Professionals (K); CIC International Premier Diploma in Human Resource Management; Advanced Diploma in Business Management; Member of Institute of the Human Resource Management (IHRM)

Responsible for ensuring that the Board has Human Resource capacity that is adequately developed to enable it deliver on the overall mandate of the Board, develop and implement effective human resource policies, procedures and processes.

13.



Responsible for implementation of public procurement laws, policies, regulations, procedures and guidelines in the board.

Nancy Wambui
Ag. Principal Officer, Supply Chain Management

Master of Business Administration; Bachelor of Information, Technology & Management, Advance Certificate in Purchasing & supplies

5. Chairman's Statement

The tea sub-sector is key to Kenya's socio-economic development and is a source of livelihood to over 750,000 farmers and indirectly to about 6.5 million Kenyans, representing 13% of the national population. It contributes about 2% of the GDP and 4% of the Agriculture GDP while tea export earnings account for about 26% of foreign exchange earnings.

Globally, Kenya remains a key producer and the leading exporter of Black CTC tea accounting for 28% of the world tea exports. The sub-sector plays a major role in the infrastructural development of 19 tea growing counties thus underscoring the importance of the sub-sector in supporting, Vision 2030 and the Government Bottom-Up Economic Transformation Agenda (BETA).

Despite its strategic importance, the tea sub-sector has been experiencing various challenges that have collectively threatened its sustainability and undermined the ability of the sub-sector to achieve its full potential in terms of export earnings and contribution to the macro economy including GDP contribution, job creation and better earnings to tea farmers. Some of the key challenges facing the sector include declining tea prices at the Mombasa auction leading to unsustainable earnings to tea growers; Poor governance practices among the institutions managing the smallholder tea sector; exploitation of tea farmers by middlemen through green leaf hawking malpractices; declining quality of Kenya tea; and low levels of value addition and product diversification of Kenya tea.

During the year under review, the focus of TBK was implementing reforms in the tea industry as envisaged in the Tea Act, 2020 aimed at addressing these challenges and emerging global challenges such as the effects of Russia-Ukraine Crisis and armed conflict in Sudan on tea sales.

To ensure better earnings, the Board of TBK adopted implementation of measures recommended to curb Green leaf hawking/diversion, which is a malpractice perpetrated by tea producers/tea factories who collude with middlemen and tea growers to buy green leaf from other farmers usually at lower prices than the market prices and sell to those factories. This denies the growers their rightful earnings from sale of tea. Tea hawking also compromises on the standards of green leaf, which in turn affects the quality of Kenyan tea and leads to high cost of production by the affected factory due to reduced Greenleaf available for processing. Tea hawking is also a security threat as green leaf is stolen and sold to these middlemen.

Enhanced strategic interventions on Greenleaf weighing falsification were also adopted for implementation. To ensure better performance of the factories and improved returns to the tea farmers, the Board provided guidance on the review

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of Management Agreements between the smallholder tea factories and KTDA-MS in line with the requirements of the Tea Act, 2020.

To enhance market access, the Board adopted the TBK's Promotion Plan for the financial year 2022/2023 for implementation and participated in the 5th African Tea Convention & Exhibition held in Burundi from 20th to 22nd July 2022; Annual Tea Conference held in Toronto, Canada from 27th to 30th September 2022; the World of Tea Tehran 2022 which took place between 23rd and 26th October 2022;

Though the Board has made substantial progress in the implementation of the Tea Act. Full operationalization of the Tea Act 2020 has however, been hampered by ex-parte court orders following the filing of several petitions against the implementation of some of the provisions of the Tea Act, 2020 by several stakeholders such as KTDA small holder tea factories, Kenya Tea Development Agency (KTDA), East Africa Tea Trade Association (EATTA), Kenya Tea Growers Association (KTGA). Amongst the negative impact of these court cases is inadequate funding for the Tea Board of Kenya as the provision on collection of the tea levy to fund TBK and TRI has been challenged. This is likely to impact negatively on the implementation of some of the key reforms such as the operationalization of stabilization fund as well as research and tea marketing and promotion programmes. The court cases are also hampering finalization, the development and gazettment of regulations to effectively operationalize the Tea Act, 2020.



MR. JACOB K. KAHU
CHAIRMAN

6. Report of the Chief Executive Officer

I am pleased to present the Tea Board of Kenya Annual Report and the Financial Statements for the financial year ended June 30, 2023.

The tea sub-sector plays a critical role in supporting realization of Vision 2030 and the BETA as well as devolution as the sub-sector's primary production and processing activities are undertaken in the rural areas across the 19 tea growing counties.

During the period under review, the industry registered growth in export earnings of 1.1% to close the year at Kshs. 138 billion up from Kshs. 136 billion in FY 2021/22. Improved performance follows the gradual recovery of the global markets from the effect of COVID-19 pandemic that affected the global supply chain in the FY 2021/22. However, better performance would have been realized as global economic recovery suffered set-back of continued effect of Russia-Ukraine crisis which commenced towards the end of February 2022. Overall, Kenya tea auction prices also recorded better performance by 18% from an average of USD 2.10 per Kg. in the 2021/22 FY to USD 2.49.

Total production for the year 2022 was lower by 2.79 Million Kgs to stand at 535.04 Million Kgs against 537.83 Million Kgs recorded in 2021. Lower production for the year 2022 was attributed to depressed (below average) and poorly distributed during the "long rains" and "short rains" seasons and more severe dry and hot weather conditions in the other months.

During the period, Tea Board of Kenya continued to regulate, develop and promote the tea industry as mandated under the Tea Act, 2020. The Tea Board of Kenya also worked closely with the Ministry of Agriculture and Livestock, Development in driving the implementation of reforms envisaged in the Tea Act, 2020 and Executive Order No. 3 of 2021. This ensured better returns to the tea growers, prompt payments and access to inputs at subsidized prices as well as better governance practices within the smallholder tea sub-sector. The minimum reserve price for the smallholder tea sub sector set in July 2021 has resulted in an increase in Auction prices for the smallholder tea growers from an average of USD 2.21 USD/Kg in the FY 2021/22 to USD USD 2.72 in the FY 2022/23.

To facilitate and fast track the development of the management agreement, the Tea Board of Kenya technical team developed the draft Management Agent Agreement which was subjected to a review process by a caucus of smallholder tea factories Company Secretaries. Among the proposed amendments in the Management Agreement is evaluation of Agency performance prior to renewal of contract, inclusion of key performance indicators, costs of staff seconded at the factory, reduction of the Management Agency fee in accordance with the Tea Act,

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2020 and dispute resolution mechanisms. Negotiation on the Management Agreement between factories and KTDA-MS is ongoing.

To alleviate the Greenleaf weighing falsification, Tea Board of Kenya worked in partnership with the Weights & Measurements Department under the Ministry of Trade and Industry and conducted joint *impromptu* surveillance checks on green leaf weighing scales. The activity targeted green leaf weighing scales used at the tea buying/collection centers and those on transit for use during purchase of green leaf. Surveillance covered tea growing areas in Meru, Embu, Kirinyaga and Tharaka Nithi Counties. Arising from the findings of the surveillance a number of perpetrators along the value chain were prosecuted.

To enhance market access, TBK participated in the 5th African Tea Convention & Exhibition held in Burundi from 20th to 22nd July 2022; a technical meeting of the **African Continental Free Trade Area (AfCFTA) on the** rules of origin and trade facilitation for the Africa free market, which was held in Accra Ghana between 20th and 26th July 2022; Annual Tea Conference held in Toronto, Canada from 27th to 30th September 2022; the SIAL Paris Exhibition between **15th - 19th October 2022** in Paris France; United States- Africa leaders' summit that took place in the US from 13th -15th December, 2022; **Gulfood Festival, Dubai from 19th -25th February 2023.**

Following the a technical meeting of the AfCFTA, TBK sensitized the industry stakeholders on the opportunities presented by the AfCFTA, and encouraged them to join in the Guided Trade Initiative. One of the tea packers-Kenya Tea Packers Limited also exported tea to Ghana under the initiative. Opportunities identified for the tea sector in the USA included partnerships to export teas that are packed and branded at factory level through joint ventures with major brands and private labels of retail outlets in USA and setting up warehouses and Trade offices across USA. Among the highlights from the business meetings in Dubai during the **Gulfood Festival** was the willingness of a Dubai based company (dubuy.com) to partner with the Tea Board of Kenya to facilitate online marketing and tea trading of our teas.

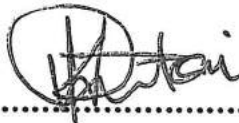
TBK developed a **Concept note on a scheme to promote tea value addition**, product diversification and market access. Through a Common User Facility (CUF), tea value addition services and incentives will be accessible to multiple exporters at competitive rates provided under the framework of the Special Economic Zones (SEZs) in line with Vision 2030. Support on value addition through CUF is in line with Section 48 (2) of the Tea Act, 2020 which require the Cabinet Secretary to facilitate the establishment of Common User Facility for tea

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value addition in consultation with the Board, and diversification into Orthodox tea manufacture. Other include increasing market access for tea value added products by providing logistical and promotional support in new and emerging markets in Africa and the Middle East.

During the year under review, TBK developed its Website (www.teaboard.or.ke). The website is interactive, informative and dynamic and contains current and concise information on the Tea Sub-sector. The site also facilitates online registration/licensing processes for the stakeholders and is linked to an e-commerce trading platform ("TEA SOKO") where customers in any part of the globe can buy packed teas.

To inculcate good corporate practices within the tea value chain, TBK developed draft guidelines on Good Corporate Governance through the input of the stakeholders. The guidelines were benchmarked with other sectors such as banking and water sector. TBK also assisted in the review of the Articles of Association for Smallholder tea factories to provide for alignment of the Articles of Association, with the Tea Act, 2020 and the new Companies Act. Specific changes introduced included the deletion of the objects, constitution and the quorum of audit committee, delineation of electoral areas, the nomination and appointment of directors, filling of the casual vacancy and compliance with the gender rule while nominating and appointing directors.



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WILLY K MUTAI
Chief Executive Officer

7. Statement of Performance against Predetermined Objectives for FY 2022-2023

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

Tea Board of Kenya has six (6) strategic pillars/ themes/issues and objectives within the last Strategic Plan for the FY 2017-2022 which was adopted in from the long-term strategic direction of the Board. These strategic pillars/ themes/issues are:

1. Revitalizing the performance of the tea sub sector;
2. Strengthening technological and innovation capabilities in the tea sub sector;
3. Enhance order in the tea industry by Implementation and Compliance with the Tea Act, 2020 and Regulations and promoting environmental sustainability;
4. Enhancing value addition and branding of Kenya tea;
5. Enhancing market access of Kenya tea products in the export markets;
6. Enhancing competitiveness, accountability and transparency along the tea value chain.

Tea Board of Kenya develops its annual work plans based on the above six pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Tea Board of Kenya achieved its performance targets set for the FY 2022/2023 period for its six strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
1.Revitalize the performance of the tea sub sector by implementing BETA in Tea	Increase the tea farmers earnings by reducing the cost of production	- Reduction in cost of compliance to market access requirements	- Reduce the cost of compliance to market access requirements/ standards by initiating the development of a common standard for Kenya teas	- Increase in tea export prices from an average of USD 2.23 for FY 2021/22 to 2.61 for FY 2022/23; - Enhanced export earnings from Kshs. 136 Billion

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		- Increase in tea auction prices	-	in the FY 2021/22 to Kshs. 138 Billion
		- Enhanced export earnings	-	
2.Strengthening technological and innovation capabilities in the tea sub sector;	Boosting the agricultural growth and productivity in the tea sub-sector by enhancing the technical capabilities of the Counties to increase tea production for food security and wealth creation	- Increase adoption of machine harvesting technology in smallholder tea farms - Increased productivity per tea bush from an average of 0.8 kgs to over 1.5 kgs per bush - Increase in the country's tea production	- Promote adoption of machine plucking and pruning machine in order to reduce green leaf plucking costs - Undertaking stakeholders' capacity building needs assessment - Undertaking capacity building forums for CAOs, SCAOs) and TESAS on Mechanical Tea Harvest technology, use of green leaf weighing scales, Best Agronomic Practices	- MTH guidelines developed - A capacity building needs assessment for industry stakeholders undertaken - Capacity-build over 130 TESAs and CAOs from 21st -23rd March at KALRO -TRI, Kericho (WOR) in the FY2022/23.
	Enhancing the quality of Tea Produced in Kenya	- Increase in the quality of tea produced - Increase in tea auction prices	- Implement the strategic tea quality improvement program - Capacity build tea manufacturers /Makers on new technologies in	- STQIP programme undertaken Five Factories that were coached by Tea Experts (Nyansiongo Tea Factory, Rorok Tea Factory, Kapset Tea Factory,

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		- Enhanced export earnings	manufacturing and new products	Keberigo Tea Factory, Ngorongo Tea Factory which have started increasing their quality and auction prices
				- A total of 111 Production assistants trained on new technologies was conducted at Exotic Hotel and KTDA, Momul tea factory from 22 nd – 23 rd February 2023
3.Enhance order in the tea industry by Implementation and Compliance with the Tea Act, 2020 and Regulations and promoting environmental sustainability	- Curb falsification of Greenleaf weighing scales	- Reduction in green leaf weighing malpractices	- undertaking quarterly surveillance on green leaf weighing scales and disseminate findings and recommendations to the affected tea factories;	- Generic Management Agent Agreement developed and released for implementation
	- Promote fairness in contracting between tea growers, tea factories and managing agents in the tea industry	- Increase in farm gate tea prices	- Developing a generic Management Service Agreement for smallholder tea factories in accordance with the Tea Act, 2020	- All 19 smallholder tea factories in the west-of-rift and 17 factories in the east-of-rift signed their reviewed management agreement on 18 th April in readiness for implementation in July 2023.
	- Control influx of	- Reduction in contraband and	- Conduct quarterly Border Points	- Conducted quarterly Border Points

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<p>teas that do not meet Kenya's tea import requirements</p> <ul style="list-style-type: none"> - Monitor and enhance compliance along the tea value chain - Ensure the tea factories have sustainable and cheaper sources of woodfuel energy - Promote tree planting through Corporate Social Responsibility initiatives 	<p>poor-quality teas in the Kenya tea market</p> <ul style="list-style-type: none"> - Number of factories demonstrating fuel development plan prior to being licenced to manufacture tea - Awareness creation on planting trees in communities living in KTDA tea growing catchment areas. 	<p>Surveillance along 9 border points</p> <ul style="list-style-type: none"> - Conduct quarterly compliance monitoring inspections on tea factories and tea traders <p>Evaluate Wood Fuel Development Plan submitted by the factories at the point of license application.</p> <p>Mobilize communities living around tea catchment areas to plant trees.</p>	<p>Surveillances along Moyale, Lunga Lunga, Taveta, Namanga, Loitoktok, Sirare, Isebania, Busia and Malaba</p> <ul style="list-style-type: none"> - Undertook 88 tea factories and 146 compliance monitoring inspections - Evaluated Wood Fuel Development Plan submitted by the factories prior to issuance of tea manufacturing licenses. - Mobilized the communities living around Kapsara catchment area to plant 30,000 grevillea and Avocado tree seedlings.
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<p>4. Enhancing value addition and branding of Kenya tea</p>	<ul style="list-style-type: none"> - Develop a concept note for incentivizing value addition locally - Establish an incubation centre for training on new manufacturing technologies and product diversification 	<ul style="list-style-type: none"> - Develop a concept paper on tea value addition - Fully equipped Incubation center in TRI Kericho 	<ul style="list-style-type: none"> - Developing a concept note for incentivizing value addition locally - Equip the incubation center 	<ul style="list-style-type: none"> - Concept note developed and approved by the National Treasury - Procurement of equipment for incubation center commenced
<p>5. Enhance market access of Kenya tea products in the export markets</p>	<ul style="list-style-type: none"> - Conducting a five-year research-based market development strategy. The strategy covers selected markets in North America, Europe, Middle East, 	<ul style="list-style-type: none"> - Global market expansion strategy for Kenya Tea market penetration strategy for Poland 	<ul style="list-style-type: none"> - Develop a global market expansion strategy for Kenya Tea; - Develop one market penetration strategy for Poland; - Conduct one (1) stakeholder consultation forum for the market development strategy; 	<ul style="list-style-type: none"> - The market expansion and penetration strategies were developed and the stakeholders' forums undertaken as planned

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Africa,
Asia and
the
Domestic
Market

<p>Enhance market access of Kenya tea in the international markets</p>	<ul style="list-style-type: none"> - Increase in the value of Kenya tea exports; - Increase in auction tea prices 	<ul style="list-style-type: none"> - Develop an annual promotion plan to guide the tea industry in undertaking targeted and focused export promotion activities - Undertake trade missions in France, Iran, West Africa and Dubai 	<ul style="list-style-type: none"> - Develop an annual promotion plan to guide the tea industry in undertaking targeted and focused export promotion activities - Undertake trade missions in France, Iran, West Africa and Dubai
<p>Promote the branding of Kenya tea using the Kenya Tea Mark of Origin (MOO) and Geographical Indications</p>	<ul style="list-style-type: none"> - Enhanced visibility of Kenya tea in the international markets; - Increased earnings of Kenya tea 	<ul style="list-style-type: none"> - Conduct 3 certification for new applicants and 10 re-certification audits for registered users - Evaluate and profile Kenya tea factories on their potential to develop into geographical indications - Partner with an international development agency to develop geographical indications 	<ul style="list-style-type: none"> - Conducted two MOO certifications for new applicants and 10 re-certification audits for registered users - Partnered with Cirad to develop Geographical Indications - Evaluated and profiled 10 Kenya tea factories on their potential to develop into geographical indications
<p>6. Enhancing competitiveness</p>	<p>To ensure management</p>	<ul style="list-style-type: none"> - Participati on of tea 	<ul style="list-style-type: none"> - Facilitate development of the - Organized consultative

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<p>veness, accounta bility and transpare ncy along the tea value chain.</p>	<p>t agreements are not skewed against the tea farmers. To increase the volume of tea consumptio n in the local market</p>	<p>growers in negotiating the factory manageme nt agreement s. - Increased volume of tea consumpti on in the local market</p>	<p>management agreement between the factories and their Management Agency - Organize Tea Masters Cup competition and promotional activities in the local market</p>	<p>meetings of the factory company secretaries and the directors with management KTDA-MS on 5th October 2022 in Muranga and 7th October 2022 in Kericho. - Organized tea masters cup competition and promotional activities in Kericho, Mombasa and Nyeri</p>
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8. Corporate Governance Statement

8.1 Role and Functions of the Board

The role of the Board is to develop and oversee the TBK strategy implementation and approve significant policies and ensure their alignment to the expectations of the tea industry stakeholders and Government. To facilitate achievement of the strategic goals, the Board approves the organizational structure, annual budget and the procurement plan, monitor the organization's performance and ensure sustainability and availability of adequate resources for the achievement of the organization's objectives.

8.2 Appointment and Removal of Directors

The structure and composition of the Board is guided by Section, 7. (1) of the Tea Act, 2020 which consists of the following members:

- (i). a chairperson appointed by the President by notice in the Gazette;
- (ii). the Principal Secretary responsible for agriculture or a representative nominated by the Principal Secretary in writing;
- (iii). the Principal Secretary responsible for trade or a representative nominated by the Principal Secretary in writing;
- (iv). the Principal Secretary responsible for National Treasury or a representative nominated by the Principal Secretary in writing;
- (v). one person of either gender, who shall have knowledge and experience in the tea sector and be from either the East and West tea blocks, nominated alternately by the Council of Governors;
- (vi). four persons, two of either gender, representing and elected by small scale and medium scale tea growers from the East and West of the tea blocks: Provided that two persons shall be from each of the tea blocks;
- (vii). one person elected and representing large scale tea growers;
- (viii). one person elected and representing tea traders;
- (ix). a chief executive officer appointed in accordance with section 13 who shall be an ex-officio member of the Board.

In accordance with Section, 7. (1) (i), **Mr. Jacob Kamau Kahi** was appointed the Chairman of the Board on **7th June 2023** to replace **Dr. David Kiarie Mburu** who was appointed on **17th June 2022**. However, in accordance with Section, 7. (1) of the Tea Act, 2020, the Board was not fully constituted and was short of four members. The shortfall was due to the fact that two members representing large-scale tea growers and tea traders, respectively had not been elected as they disputed the election procedures that had been stipulated by the Ministry of Agriculture and Livestock Development in September 2021. Further, the Council of Governors had not submitted the name of its nominee to the Cabinet Secretary

Ministry of Agriculture and Livestock Development for appointment. There was also a vacancy created in May 2023 for a representative of Small Scale and Medium Scale tea growers in the West of Rift Block following the demise of Ms. Mary Jeruto Indeje.

8.3 Committees of the Board

To effectively operationalize its oversight role, the Board reconstituted its three (3) Committees (Technical Committee; Human Resource and Finance Committee; and Audit and Risk) into four by splitting the Technical Committee into Regulation, Compliance, and Capacity Building Committee and Strategy, Market Promotion and Research & Development. This was guided by principles on the formation of the Board Committees as provided for under provisions of the Tea Act, 2020, Mwongozo Code, and Public Finance Management (PFM) Act, 2012. These principles include, Section 10. (1) and 11 and Part 1(9) of the First Schedule of the of the Tea Act, 2020 that provides for the Board of Directors to establish such committees as it may consider necessary for the efficient performance of its functions and by resolution, delegate to any committee of the Board the exercise of any of the powers or the performance of any of the functions of the Board under the Act or under any other written law. Mwongozo Code provides that the Board should establish not more than four (4) committees of the Board and that it shall be at liberty to establish such an Ad-hoc Committee as required to deal with ad-hoc matters requiring focused attention. As a mandatory requirement, Mwongozo Code provides for establishment of an Audit and a Maximum of other three (by whatever name) to discharge the functions of governance, risk, compliance, finance, technical matters, strategy and human resources. In addition, Section 73 (5) of the Public Finance Management (PFM) Act, 2012 provides that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations.

The Functions of these Committees are as follows:

1. Regulation, Compliance, and Capacity Building Committee

The Committee consisted of the following members:

1. Mary J. Indenje
2. Anthony Nderitu
3. Florence Mutembei
4. Josephat Muhunyu

The Committee exists pursuant to Section 10(1) of the Tea Act, 2020. The mandate of the Committee is to provide oversight in registration and licensing,

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compliance and surveillance; capacity building, research and innovation, standards and quality control matters of Board.

The functions of the Committee includes the following:

- (i) Advise on the formulation of policies, plans and strategies for regulation and development of the tea sector;
- (ii) Advise on strategic plans related to registration and licensing, compliance and surveillance; capacity building, research and innovation, standards and quality control of the Board;
- (iii) Work with management on regulation and development issues related to the functions of the Board;
- (iv) Review the quality of regulatory and developmental work undertaken by the Board;
- (v) Consider and recommend for approval by the Board licensing and registration of tea value chain players;
- (vi) Advise on policies and strategies for promoting fair and proper governance structures in institutions along the tea value chain in the interest of tea growers;
- (vii) Review and advise on the National Tea Capacity Building Masterplan and Strategy;
- (viii) Advise on all research and innovation matters in the tea industry
- (ix) Advise on quality assurance and control services of the Board;
- (x) Advise the board on establishment of necessary linkages with relevant stakeholders in furtherance of tea quality improvement interventions;
- (xi) Consider and recommend for approval by the Board the best practices and standards in the production, processing, marketing, grading, storage, collection, transportation and warehousing of tea;

2. Strategy, Market Promotion and Research & Development

The Committee consisted of the following members:

- 1. Charles Kirigwi
- 2. Michael Mandu
- 3. Kennedy Kaburi
- 4. Josephat Muhunyu

The Committee exists pursuant to Section 10(1) of the Tea Act, 2020. The mandate of the Committee is to provide oversight in strategy, trade advisory, promotion and marketing matters of Board.

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The functions of the Committee include the following:

- (i) Oversee the formulation the Board's strategy and overall operational performance and organizational position;
- (ii) Advise on the formulation of policies, plans and strategies for trade advisory, promotion and marketing of the tea sector;
- (iii) Advise on strategic plans related to trade advisory, promotion and marketing of the Board;
- (iv) Work with management on trade advisory, promotion and marketing issues related to the functions of the Board;
- (v) Review the quality of promotional and marketing work undertaken by the Board;
- (vi) Review and advise on the National Tea Marketing Strategy;
- (vii) Advise on collaboration with national, regional and international trade bodies on tea related matters;
- (viii) Advise on strategies for enhancing demand and consumption of tea nationally, regionally and internationally;
- (ix) Advise on strategies to promote value addition and product diversification;

3. Human Resources and Finance Committee

The Committee consisted of the following members:

1. Florence Mutembei
2. Mary J. Indenje
3. Mr. Anthony Nderitu
4. Josephat Muhunyu

The Committee exists pursuant to Sections 10(1) of the Tea Act, 2020. The purpose of this Committee is to oversee human resource and finance matters.

The functions of the Committee includes the following:

- (i) Review and recommend to the Board TBK's organization structure, staff establishment and recruitment, performance management, formulation of staff policies, staff remuneration and compliance with existing government guidelines;
- (ii) Review and recommend remuneration packages of employees including bonus incentive schemes and increments;
- (iii) Review and recommend the CEO's compensation, including incentives, benefit and retirement plans to the Board for approval;

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- (iv) Review and approve setting of performance targets, negotiate with government and approve end-year evaluation reports;
- (v) Consider and recommend for approval by the Board the operational and administrative policies and procedures;
- (vi) Receive and consider progress reports on financial matters;
- (vii) Receive, consider and recommend for the Board approval of the annual financial budgets for TBK;
- (viii) Receive and consider quarterly financial performance reports of TBK;
- (ix) Consider and recommend quarterly performance contract to the Board for approval;
- (x) Recommend annual procurement plans to the Board;
- (xi) Undertake oversight role relating to human resource, finance, administration and general management of the Board;
- (xii) Periodically reviewing the communication and corporate social sustainability policy to ensure that it continues to espouse the Board's vision, core values and positions on corporate social responsibility
- (xiii) Monitoring development in technology and recommend the adoption of any new technology that may have customer or institutional impact;
- (xiv) Advise on the operationalization and management of the Tea Fund.

4. Audit and Risk Committee

The Committee consisted of the following members:

1. Kennedy Kaburi
2. Michael Mandu
3. Charles Kirigwi
4. Anthony Nderitu

The Committee exists pursuant to Sections 10(1) of the Tea Act, 2020 and Section 73(5) of the Public Finance Management Act, 2012. The purpose of the Committee is to review the systems established to ensure sound public financial management and internal controls, risk management policies as well as compliance with policies, laws, regulations, procedures, plans and ethics.

The functions of the Committee include the following:

- (i) Support the Accounting Officer with regard to their responsibilities on issues of risk, control and governance and associated assurance (PFM Reg. 175(a);

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- (ii) Follow up on the implementation of the recommendations of internal and external auditors' (PFM Reg. 175(b);
- (iii) Carrying out annual review of the independence, performance and competency of the internal audit unit and comment on their effectiveness in the annual report (PFM Reg. 166(2);
- (iv) Review the established systems to ensure sound public financial management as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- (v) Ensure integrity of the financial statements, financial plans and budgets;
- (vi) Ensure that the Board's integrity is maintained by establishing and monitoring internal financial controls, transparency, accountability and truthful reporting of financial results in compliance with IPSAS and other laws and government circulars;
- (vii) Review independence, objectivity and effectiveness of internal and external auditors;
- (viii) Review matters raised by both the internal and external auditors and make recommendations to the Board;
- (ix) Review final audited accounts before they are presented to the full Board for approval;
- (x) Deliberate on Public Investment Committees (PIC) requirements and recommendations;
- (xi) Initiate special audits/investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency;
- (xii) Support the management to achieve the three E's (Economy, Efficiency and Effectiveness) in all Board's operations;
- (xiii) Review effectiveness of the Boards systems of accounting controls and risks facing the Board;
- (xiv) Evaluate adequacy of management procedures with regard to issues relating to risk management, control and governance;
- (xv) Monitoring the effectiveness of TBK's performance information and compliance with the performance management framework and performance reporting requirements.
- (xvi) Review the internal and external audit findings and recommendations and propose corrective and preventive action where necessary;
- (xvii) Review the effectiveness of the system for monitoring compliance with laws and regulations and results of management's investigation and follow up (including disciplinary action) of any instances of noncompliance; and
- (xviii) Provide oversight of the mechanisms established by management to ensure maintenance of high ethical standards for all of the directors/managers and staff of the Board;

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- (xix) Undertake any other role stipulated in the *Audit Committee Guidelines for National Government* issued by the Public Sector Accounting Standards Board (PFM Reg. 177(3)).

4. Board Committee Membership

COMMITTEE	MEMBERS	ROLE
1. Regulation, Compliance, and Capacity Building Committee	Mrs. Mary Indeje	Chairperson
	Ms. Florence Mutembei	Member
	Mr. Josephat Muhunyu	Member
	Mr. Anthony Nderitu	Member
2. Strategy, Market Promotion and Research & Development	Mr. Charles Kirigwi	Chairperson
	Mr. Kennedy Kaburi	Member
	Mr. Josephat Muhunyu	Member
	Mr. Michael Mandu	Member
3. Human Resources and Finance Committee	Ms. Florence Mutembei	Chairperson
	Mrs. Mary Indeje	Member
	Mr. Josephat Muhunyu	Member
	Mr. Anthony Nderitu	Member
4. Audit and Risk Committee	Mr. Kennedy Kaburi	Chairperson
	Mr. Charles Kirigwi	Member
	Mr. Michael Mandu	Member
	Mr. Anthony Nderitu	Member

During the FY 2022/2023, Four (4) full Board meetings i.e once every quarter as per the requirements of Mwongozo code and Three (3) meetings for each of its Four committees and the attendance was as follows:

Board Member	Classification	Designation	Human Resources and Finance Committee (3)	Regulation, Compliance, and Capacity Building/Technical Committee (3)	Strategy, Market Promotion and Research & Dev. Committee (3)	Audit and Risk (3)	Full Board (4 meetings)
Dr. David Kiarie Mburu	Independent	Chairman of the Board up to 6th June 2023	N/A	N/A	N/A	N/A	3
Mr. Jacob Kamau Kahi	Independent	Chairman of the Board from 7th to 30th June 2023	N/A	N/A	N/A	N/A	1

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Ms. Florence Mutembei	Independent	Member	2	3	N/A	N/A	4
Mrs. Mary Indeje	Independent	Member	2	2	N/A	1	3
Mr. Josephat Muhunyu	Alternate	Member	2	2	1	1	3
Mr. Anthony Nderitu	Alternate	Member	2	2	N/A	0	4
Mr. Kennedy Kaburi	Independent	Member	N/A	1	2	3	4
Mr. Charles Kirigwi	Independent	Member	N/A	1	2	3	4
Mr. Michael Mandu	Alternate	Member	N/A	N/A	2	2	4

The dates for the meetings were as follows:

MONTH	DATE	MEETINGS
August	16 th August 2022	Human Resources and Finance Committee
	18 th August 2022	Regulation, Compliance, and Capacity Building Committee
	18 th August 2022	Strategy, Market Promotion and Research & Development Committee
	22 nd August 2022	Audit and Risk Committee
	24 th August 2022	Full Board Meeting
November	21 st November 2022	Human Resources and Finance Committee
	23 rd November 2022	Strategy, Market Promotion and Research & Development Committee
	25 th November 2022	Regulation, Compliance, and Capacity Building Committee
	28 th November 2022	Audit and Risk Committee
December	8 th December, 2022	Full Board Meeting

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April	3 rd April 2023	Human Resource and Finance Committee Meeting
	5 th April 2023	Strategy, Market Promotion and Research & Development Committee
	12 th April 2023	Regulation, Compliance, and Capacity Building Committee
	13 th April 2023	Audit and Risk Committee
	21 st April, 2023	Full Board Meeting
June	21 st June 2023	Full Board Meeting

The Board also held seven (7) Special Full Board and four (4) Special Committee Meetings whose attendance was as follows:

Board Member	Classification	Designation	Human Resources and Finance Committee (2)	Regulation, Compliance, and Capacity Building/Technical Committee(1)	Strategy, Market Promotion and Research & Dev. Committee(0)	Audit and Risk (1)	Full Board (7 meetings)
Dr. David Kiarie Mburu	Independent	Chairman of the Board up to 6th June 2023	N/A	N/A	N/A	N/A	7
Mr. Jacob Kamau Kahiu	Independent	Chairman of the Board from 7th to 30th June 2023	N/A	N/A	N/A	N/A	N/A
Ms. Florence Mutembei	Independent	Member	2	1	N/A	N/A	6
Mrs. Mary Indeje	Independent	Member	2	1	N/A	1	7
Mr. Josephat Muhunyu	Alternate	Member	2	1	N/A	1	7
Mr. Anthony Nderitu	Alternate	Member	0	1	N/A	1	6
Mr. Kennedy Kaburi	Independent	Member	1	N/A	N/A	1	6
Mr. Charles Kirigwi	Independent	Member	1	N/A	N/A	1	7

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Mr. Michael Mandu	Alternate	Member	N/A	N/A	N/A	N/A	7
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Out of the seven special full Board meeting, four were conducted to facilitate recruitment of the Chief Executive Officer in accordance with Section 13 (1) of the Tea Act 2020, while three were to undertake special business that could not be carried out during normal Board meetings. The Special Full Board and Committee Meetings were conducted as per the following Agenda:

DATE	MEETINGS	AGENDA
6 th July 2022	Special meeting of the Human Resource and Finance Committee	Opening of Applications for the position of Chief Executive Officer (CEO)
18 th July 2022	Special Full Board Meeting	Preparation of Interview tools for recruitment of the Chief Executive Officer
26 th July 2022	Special meeting of the Audit and Risk Committee Meeting	Forensic audit report of KTDA Holdings and its subsidiaries
26 th September 2022	Special Full Board Meeting	Meeting to discuss attempted take-over of KTDA MS and Smallholder tea Factories by Former Directors and management staff
2 nd November 2022	Special meeting of the Human Resource and Finance Committee	Handing over of the applications for the position of CEO to the consultant
27 th January 2023	Special Regulation, Compliance, and Capacity Building Committee Meeting	Application for New Manufacturing Licenses and Proposed Amendments to the Tea Act 2020
30 th January 2023	Special Full Board Meeting	Revised Budget for FY 2022-23 and Application for New Manufacturing Licenses and Proposed Amendments to the Tea Act 2020
14 th -17 th February 2023	Special Full Board Meeting	Interviews for the Position of Chief Executive Officer

8.4 Board Performance Evaluation

In accordance with Circular OP/CAB. 1/43/1 of 29th June, 2011 on Board evaluation, State Corporation Advisory Committee (SCAC) facilitated evaluation of the Board performance for the FY 2022/23 on 29th August 2023. All the members except the newly appointed Chairman were eligible for evaluation since they had served during the period under review. However, Dr. David Kiarie Mburu, the former Chairman did not participate in the evaluation process since he had since exited the Board. Similarly, by the time of evaluation, Mrs. Mary Indeje had passed on in May 2023.

From the results, SCAC noted that the TBK Board scored 92.81% with the scores of between 70-80% in areas such as Corporate Social Responsibility Policy, Internal Risk Management Frame work, Training of the Board, Succession Management and Strategic Plan. Indicators on procedure of Board meetings, Board structure and responsibility, made and strategy scored high at over 90%. SCAC also shared individual scores of each Board Member as follows:

	Name	Position	Score	Score
1.	Mr. Kennedy Mochere Kaburi	Member	4.63	92.57
2.	Mr. Charles Mwangi Kirigwi	Member	4.66	93.14
3.	Mrs. Florence Nkatha Mutembei	Member	4.64	92.86
4.	Mr. Josephat Gathiru Muhunyu	Member	4.67	93.43
5.	Mr. Anthony Ndegwa Nderitu	Member	4.58	91.57
6.	Mr. Michael Sali Mandu	Member	4.66	93.29
			4.64	92.81

8.5 Conflict of Interest

Part 2(1) & (2) of the First Schedule of the Tea Act, 2020 provides for disclosure of conflict of interest in any matter before the Board and Committee and bars any member with such conflicts from taking part in the deliberations or vote on the matter. It also provides that a disclosure of interest made shall be recorded in the minutes of the meeting at which it is made. During the year under review all members signed the conflict of interest register indicating that they had no interest in the matters under deliberations. This was also recorded in the minutes of the meeting for the Committees and the full Board.

8.6 Board Induction and Training

As part of Good Governance practice, the Mwongozo Code requires the Board to develop induction programme for new Board Members and ensure continuous skills development based on competency needs assessment. During **the 4th Board** meeting held on **24th August 2022**, the Board identified its priority training as Interviewing, Selection and Recruitment and Finance for Non-Finance Leaders. The training, was held at **Sarova Woodlands Hotel, Nakuru** from **17th to 22nd October 2022** and facilitated by the **Kenya School of Government (KSG)**. The training on interviewing, selection and recruitment focused on enhancing the Board's skills to effectively plan and manage human resource within the Tea Board of Kenya in accordance with the requisite policy and legal framework and current issues, trends, practices, and processes in human resource management.

The training on Finance for Non-Finance Leaders was aimed at providing working knowledge and understanding of the basic principles and public sector guidelines on financial management.

Orientation to the tea trade in Mombasa was undertaken from 11th to 13th October 2022 for the Chairman of the Board Dr. David Kiarie Mburu and two newly appointed members Mr. Anthony Nderitu (Alternate Board Member, representing the Principal Secretary, National Treasury) and Mr. Michael Mandu (Alternate Board Member, representing the Principal Secretary, Ministry of Investment, Trade and Industry). The purpose of the orientation was to apprise the members with activities and programmes being undertaken by tea traders in Mombasa.

8.7 Board Succession Plan

The terms of appointments are provided for under section 8 of the Tea Act 2020. Section 8. (1) provides that the persons appointed under section 7 (1) (a), (d), (e), (f), and (g) shall serve for a term of three years renewable for one further term. To ensure succession planning, Section 8(2) provides that persons appointed under section 7(1) (a), (d), (e), (f) and (g) shall be appointed at different times so that their respective expiry of terms of office shall fall at different times but not more than six months shall lapse between one appointment and another.

Vacation of office is also provided for under Section 9 of the Tea Act, 2020.

8.8 Board remuneration

During the year under review Board Remuneration were paid in accordance with the Circulars issued from the Government. Tea Board of Kenya Board members were paid Sitting allowances as remuneration for conducting official Board's business per sitting at a rate of Kshs. 20,000 less 30% tax. This is based on

Mwongozo and applicable government directives which seeks to compensate the Board members fairly and transparently.

8.9 Ethics and Conduct

During the appointment of the Board, the Board members committed to abide by the provisions of Article 10 of the constitution, the Executive Order No. 6 on ethics and integrity in Public Service and the Executive Order No. 7 on implementation of Mwongozo-the code of Governance for State Corporations. The Chairman of the Board also signed the accountability pledge to at all times abide to the constitution of Kenya, Statute Law, Regulations, Policies, Guidelines and code of conduct as they apply to Public duty, leadership, integrity, the rule of law and the principles of Good Governance. During the FY 2022-23, the Board was evaluated by SCAC on their levels of compliance with Good Corporate Governance practices and ethics.

9. Management Discussion and Analysis

9.1 Operational Performance

Over the period 2018-2022, management implemented programmes, initiatives and activities aimed at boosting agricultural growth and productivity in line with vision 2030 and MTP III, enhancing market access and integration into the global value chain by developing traditional, new, and emerging markets as well as enforcing regulations. In order to boost production, five (5) new tea manufacturing factories with a combined processing capacity of 25 million Kgs of Greenleaf per year were licensed to process CTC, Orthodox, Green tea and Other Specialty teas. During the year under review, the area under tea increased from 218 thousand hectares to 225 thousand hectares while productivity dropped from 10,438 Kgs of Greenleaf Per Ha to 10,073 Kgs. This was due to to depressed (below average) and poorly distributed rainfall attributed to the effects of “*La nina*” weather conditions. Consequently, the quantity of tea manufactured the year was lower from 537 million Kgs to 535 million Kgs.

	Planted Area (HA)	Green leaf Production (Kgs)	Productivity Per Ha (Kgs)	Made Tea (Kgs)
2018	199,858	2,095,244,573	10,484	492,998,723
2019	206,039	1,950,125,033	9,465	458,852,949
2020	212,411	2,420,525,772	11,395	569,535,476

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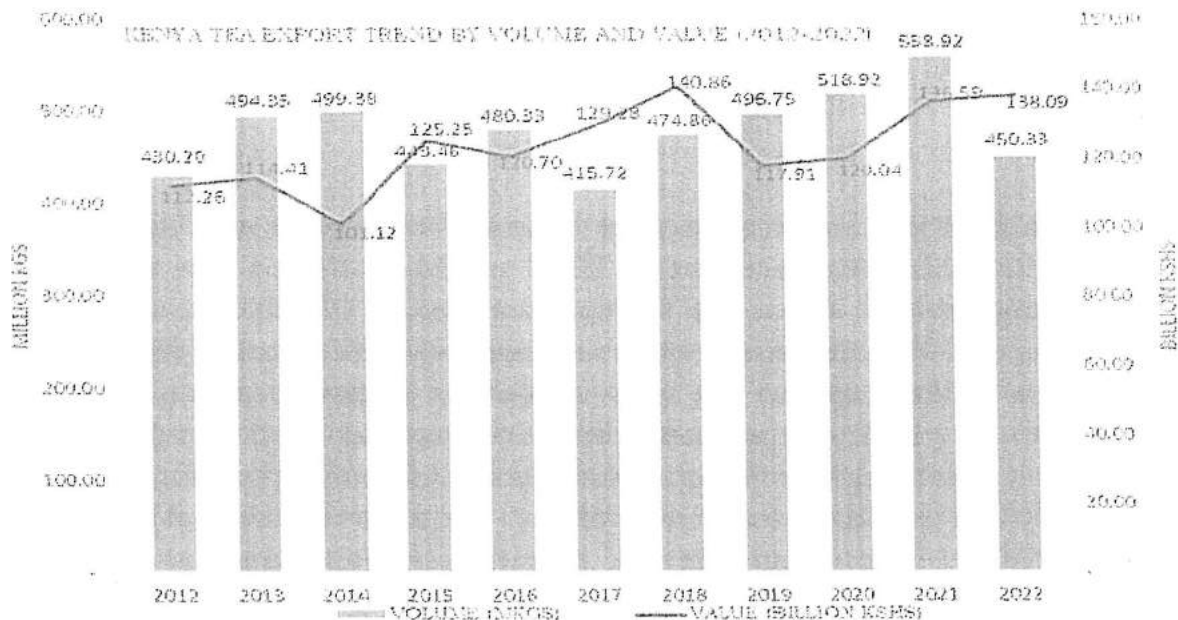
2021	218,981	2,285,789,566	10,438	537,832,839
2022	225,753	2,273,935,706	10,073	535,043,695

During the year under review, the volume of tea exports was lower by 19% from 558.92 Million Kgs recorded in 2021 to 450.33 Million Kgs while the export earnings rose to Kshs. 138 Billion compared to 136 Billion in 2021 and 120 Billion in 2020. Increase in export earnings was attributed to depreciation of the Kenya Shilling against the USD as well as improved prices. Kenya tea was exported to eighty to market destinations against seventy-eight for the same period of last year with Pakistan maintaining the leading position and accounting for 40% of the Kenya tea export volume. The top ten market of Pakistan; Egypt; UK; UAE; Sudan; Russia; Yemen; Kazakhstan; Afghanistan; and Poland, which are traditional markets for Kenya tea accounted for 87% of the total export volume.

Amongst the key markets, TBK carried out promotional activities during the year under review were Ghana, France, Canada, USA, and UAE due to their potential for growth in value added and specialty tea exports. UAE is also one of the markets targeted under implementation of Phase I of the market development strategy. Despite the efforts to promote Kenya tea in new and emerging markets as strategy to diversifying away from the traditional markets. Most of the Kenya tea markets imported less quantities compared to the previous year due to the effects of the Global economic challenges attributed to Russian-Ukraine crisis that commenced in February 2022 when most economies were at the verge of recovering from the effects of COVID-19 Pandemic, and lately the effect of armed conflict in Sudan which commenced in April 2023. Following the Russia-Ukraine crisis, the Western World imposed economic sanctions against Russia, consequently disrupting shipments of commodities exported and imported by Russia. The sanctions have made it difficult for Russia to settle financial transactions with exporters and importers of commodities and also disrupted global trading logistics. These challenges have greatly impacted negatively on tea exports to Russia which is the world second largest importer and Kenya's fifth biggest market of tea by quantity.

Out of the total export volume, 98% was black CTC type of tea while 1% was Orthodox (4.81 Million Kgs) and the remaining 1% consisted of Green, Purple and tea extracts. About 1% (6.35 Million Kgs) was in value added form while 99% was in bulk form. Orthodox, Green, Purple and tea extracts, which are specialty teas were offered to buyers overseas and fetched significantly higher prices compared to CTC teas.

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To enforce tea regulations and standards- quarterly border points surveillance to check on illegal tea imports were conducted along 8 border points (Lunga Lungu, Taveta, Namanga, Loitokitok, Sirare, Isebania, Busia and Malaba) with a view to control influx of teas that do not meet Kenya’s tea import requirements. Similarly, to check on Greenleaf weighing falsification malpractices, surveillance was conducted in the tea growing areas in the West and East of Rift.

To enhance Compliance with the Tea Act 2020, Corporate Governance Guidelines/Regulations were developed to guide the management of institutions in the tea industry. Five (5) Regulations (elections, payments, levy, tea auction and general) necessary to operationalize the Tea Act, 2020 were also developed.

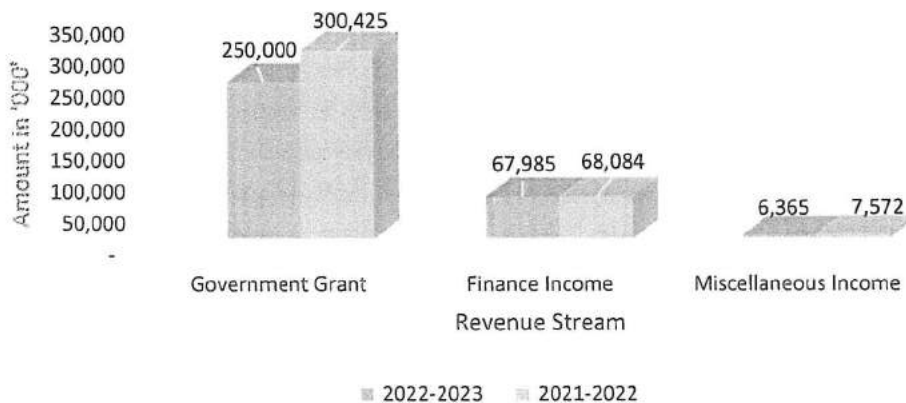
To enhance the organizational internal operational efficiency, an ERP system was put in place, Staff were also equipped with technical and managerial skills through individual and group trainings based on identified skills gaps while rationalization of their terms of service was done with the guidance from State Corporations Advisory Committee. Procurement goods, works and services was also done in accordance with PPDA, 2015 & PPDA Regulations, 2020 and within all the statutory affirmative action thresholds.

9.2 Financial Performance

During the FY 2022-23, the Board recorded a decline in total revenue from Kshs. 376 million in the previous year to Kshs. 324.3 million. This reflected a 13.8 % decline amounting to Kshs. 51.7 owing to reduction in government subvention for the FY 2022-23 and internally generated revenue. This is depicted as follows;

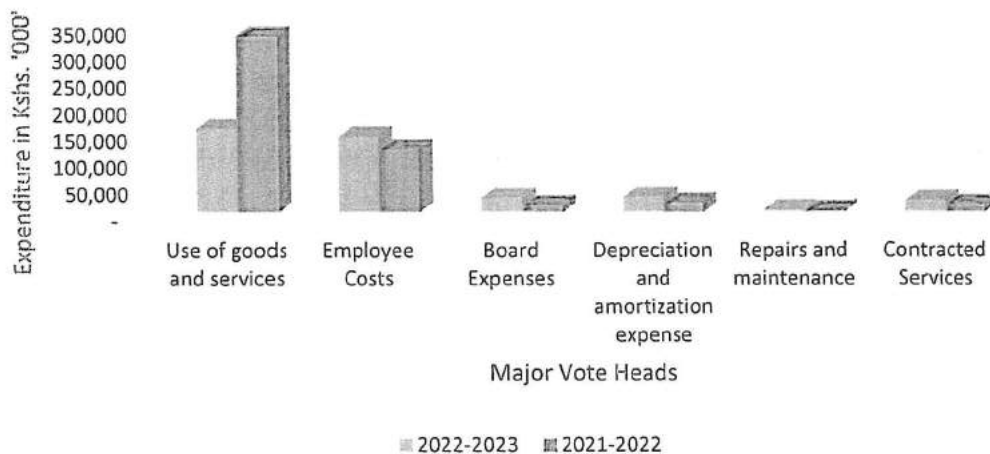
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Revenue Analysis for the Past 2 Years



The Board recorded a decline in expenditure from Kshs. 506.4 million in the previous year to Kshs. 386.6 million. This is depicted as follows;

Expenditure Analysis



Consequently, in the FY2022-23 the Board registered deficit of Kshs. 62 million against a deficit of Kshs. 130.3 million in the FY 2021-22. To ensure sustainability of the Board's operations its going concern, the Board is enhancing its internally generated revenue by exploring options of resolving court cases preventing operationalization of Section 53 of the Tea Act, 2020 which provides for a tea levy on tea imports and tea exports.

10. Environmental and Sustainability Reporting

The Tea Board of Kenya exists to drive the tea agenda in the country and to transform the lives and livelihoods of over 750,000 tea farmers across 19 tea growing areas and who depend on tea growing as a primary source of income. Without guaranteed incomes from tea, the farmers cannot sustain production and supply of tea to the consumers in the Global market. Additionally, they cannot sustain the activities of the other secondary and tertiary stakeholders along the value chain who number about 6.5 million Kenyans, representing 13% of the national population. The tea farmers cannot also guarantee GDP contribution and foreign exchange earnings derived from export of tea.

The Tea Board of Kenya mandate on regulation, development and promotion ensures tea farmers get sustainable returns through transparent price discovery mechanisms, reduced cost of production, good governance of their institutions, involvement in decision making, improvement in value and less exploitation during the sale of their produce.

Below is an outline of the organisation's policies and activities that promote sustainability: -

i) *Sustainability strategy and profile*

Despite its relative importance, the Kenya tea subsector has been facing a myriad of challenges ranging from declining international tea prices which has affected farm-level tea prices, poor governance among the industry institutions, declining quality of tea among others. In order to address these challenges, tea value chain has been given priority under the Government Bottom-up Economic Transformation Agenda (BETA) and identified as key to supporting the Agricultural Transformation pillar. In this regard, the Tea Board of Kenya has been seeking government intervention to address the challenges affecting the tea sub-sector and putting in place the necessary reforms.

The tea industry legal and regulatory framework and the Tea Board of Kenya policies, strategies and initiatives have put in place several mechanisms to ensure sustainability and competitiveness of the tea value chain. Upon being licensed, the Tea Act, 2020 requires a tea factory to only buy green leaf from its registered tea growers and also maintain a register of its tea growers in order to cushion the tea farmers against exploitation by middlemen. To ensure guaranteed return to the tea farmers, the Act requires a buyer to pay in full the value of the tea bids they have won at the auction before collecting or taking custody of the tea. Additionally, tea brokers, buyers and the auction organizers are required to ensure the proceeds from the sale of tea are remitted to the tea factories accounts within fourteen days from the date of the auction and for the tea factory to within thirty days of receipt of the proceeds of the sale of tea, pay

tea growers at least fifty per centum of payment due for green leaf delivered every month. The Tea Board of Kenya has also been working in collaboration with the Ministry of Agriculture and Livestock Development to ensure tea farmers have access to Government subsidized fertilizer for reduced farmgate costs and enhanced quality and quantity of the green leaf supplied to the factories for processing which will translate to higher and improved returns.

During the year under review, H.E, the Deputy President, Hon. Rigathi Gachagua, EGH flagged off 1.76 million bags of 50kgs government subsidized fertilizer. The small-scale tea farmers received the fertiliser at a reduced cost of Kshs 3,500 down from the market price of Kshs 5,617, which they applied during the “short rains” season in October 2022. For transparency in price discovery, the Tea Act, 2020 require an auction organizer to establish an electronic trading platform for the auction of tea that will be usable and accessible to all players in the value chain.

To ensure improved prices, value addition and product diversification have been identified as a priority under BETA and is also a key requirement under the Tea Act, 2020. To spur value addition, TBK has already developed a concept note on funding of value addition initiatives and a scheme on provision of Government fiscal, monetary and administrative incentives.

ii) *Environmental performance*

Taking cognizant that the tea production sorely depend on good weather and that wood fuel is a key source of energy for tea manufacturing, TBK continues to promote environmental sustainability in the industry as one of its key agendas. To ensure the tea factories have sustainable and cheaper sources of woodfuel energy, the factory must demonstrate that they have established adequate woodlots and have put in place a woodfuel development plan prior to being licenced to manufacture tea. Best Environmental Practices (BEPs) has also been mainstreamed in the Tea Board of Kenya programme on capacity building of tea growers and tea manufacturers. TBK has also prioritized promotion of tree planting in its Corporate Social Corporate responsibility initiatives. TBK, in partnership with Equity Group Foundation and KTDA Foundation have been implementing environmental conservation programs by planting trees in KTDA tea growing catchment areas. This initiative is key to the Board’s objective of supporting environmental sustainability in tea growing communities. On 8th July 2022, TBK mobilized government agencies, the County Government of Trans Nzoia and the surrounding community to plant 30,000 grevillea and Avocado tree seedlings to farmers in Kapsara catchment area. This was in recognition that clearance of trees at the foot of Cherengani Hills to pave way for human settlement and agricultural production is gradually altering average

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weather condition and shifting the normal weather patterns in the counties of Trans Nzoia, West Pokot and Elgeyo Marakwet.



Planting Grevillea and Avocado tree seedlings with tea farmers in Kapsara Tea Factory catchment area on 8th July 2022

iii) *Employee welfare*

The Board promotes gender equality as espoused in Article 27 of the Kenya Constitution on equality and freedom from discrimination. In this regard, the Board is guided by the approved Human Resource Instruments in undertaking any recruitment of staff/interns/attaches taking into consideration article 232 (1) of the Constitution of Kenya on values and principles of public service. During the year under review, the Board's staff composition comprised of thirty-four (34) Male and twenty-four (24) Female employees, thereby complying with the constitutional requirement on gender. In addition, 14 University graduates; 6 male and 8 female were engaged as interns and attaches in various departments to gain on-the-job experience.

The staff members are on annual performance contracts and are appraised biannually as per guidelines issued by the public service. In addition, the Board also undertakes continuous capacity building trainings for its staff members to improve on the skill gaps after conducting training needs assessments and appraisals. In reference to compliance with Occupational Safety and Health Act of 2007, (OSHA.), the Board is guided by the approved Human Resource Policy and Procedures Manual in ensuring conducive work environment and safety of staff members.

iv) *Market place practices*

The Board is committed to good marketing practices like responsible and ethical marketing, responsible competition practice, responsible supply chain and supplier relations, responsible marketing and advertisement and product stewardship. In this regard, the following is efforts made by the Board to promote fair market practices;

a) *Responsible competition practice.*

Marketing ethics is an area that deals with moral principles behind marketing. Ethics in marketing applies to different spheres such as product, pricing, placed distribution, promotion and advertising. Tea Board of Kenya has been on the frontline to enhance the visibility of the Kenyan Tea Industry with regard to responsible and ethical marketing. TBK has endeavoured to achieve this by;

1. Engaging all the tea value chain players to ensure that the tea farmer is well compensated for their investment and therefore happily provides safe products (leaf) for use by the Tea Factories to manufacture high quality and safe products. Areas of inefficiencies within the industry have been identified through in-depth studies by TBK and implementation of the recommendations has been entrenched in legal and administrative tools;

2. Engaging the tea auction organiser to ensure that the price discovery system is transparent through automation of the process;
3. Through regulatory instruments TBK issue licenses and regularly monitors operations of all tea companies to ensure they observe Good Agriculture Practices and Good Manufacturing Practices for enhanced product safety;
4. Engaging the public in tea growing regions by donating tree seedlings, holding tree planting activities and donating 140 computers to public schools to enhance technological skills amongst the learners.

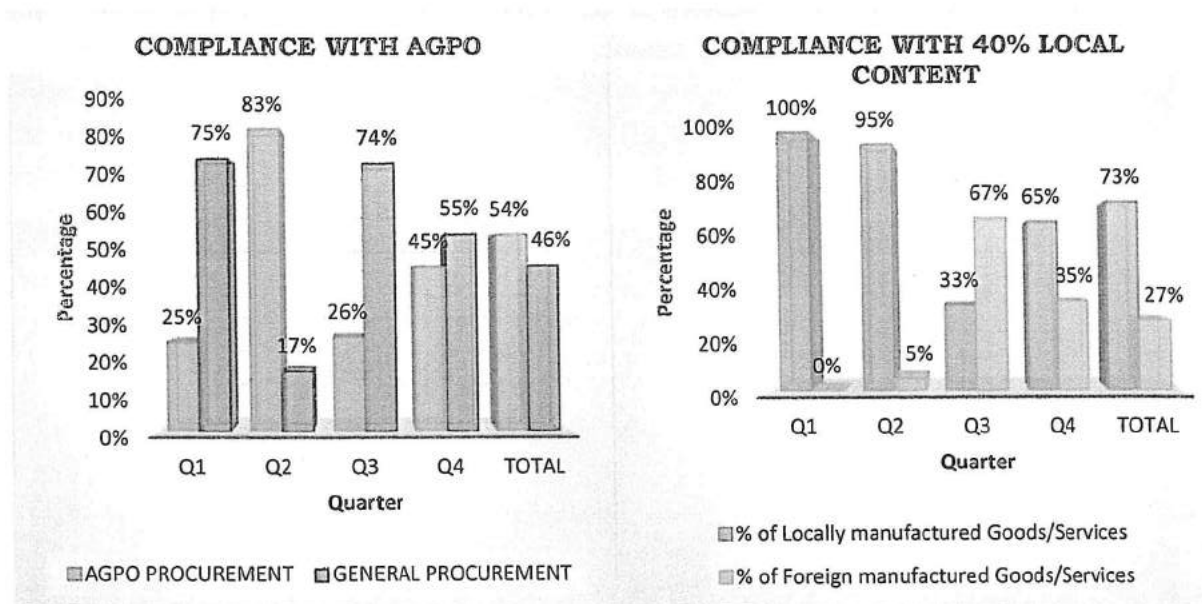
b) *Responsible Supply chain and supplier relations*

The Board promotes good supplier relations by ensuring fairness in the process of engagement of service/ goods providers, payment within the agreed (reasonable) payment timelines and timeliness in provision of any information required by the suppliers. This is done by strictly implementing the provisions of the Public Procurement and Disposal Act, 2015 & Public Procurement and Disposal Regulations Board in its procurement function.

During the FY 2022-23, the Board complied with its service charter of payment of suppliers within one month from the date of submission of the invoice. In addition, during the FY 2022-23, the Board sustained its efficient procurement processes in acquisition of goods, works and services. The Board ensured that the Access to Government Procurement Opportunities (AGPO) was maintained above the minimum 30% threshold as prescribed in the PPD Act, 2015 & PPD Regulations, 2020. The Board awarded 34% of its total procurement spend on to

the special interest groups (Youth, Women & PWD's) through the AGPO and 89% to local goods and services.

c) Responsible marketing, advertisement and Product stewardship

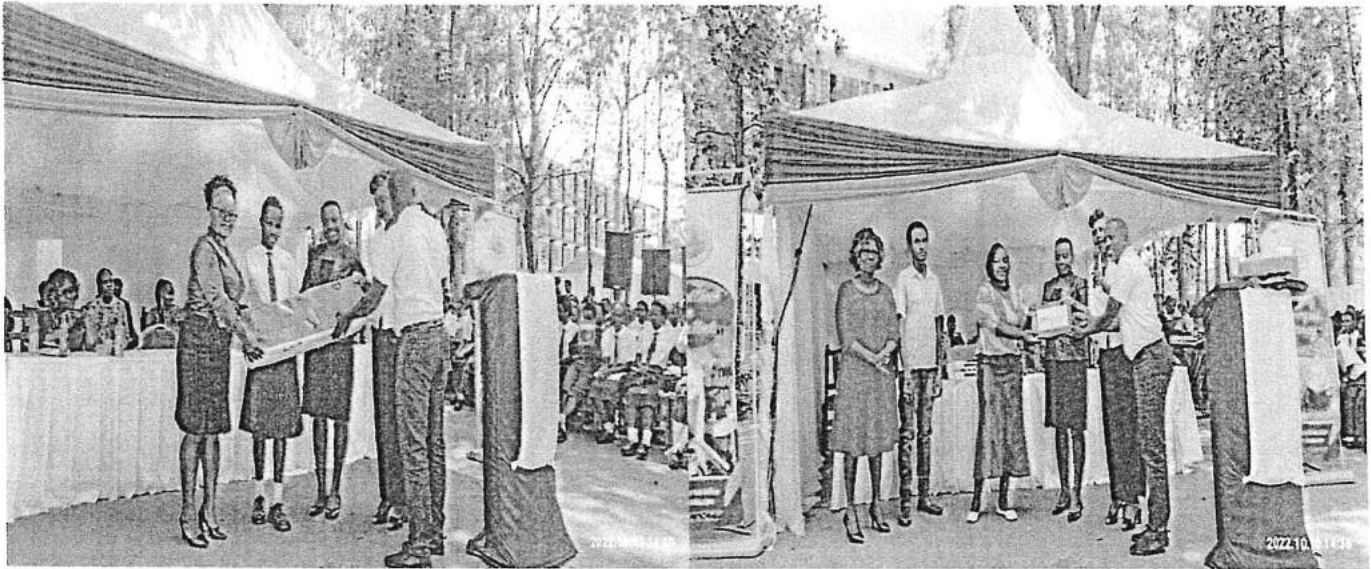


Tea Board of Kenya has endeavoured to promote ethical marketing practices and ensure that tea consumer rights are protected by;

- i. Enforcing the right to information through proper Labelling of tea packaging. TBK enforces labelling standards as published by Kenya Bureau of Standards
- ii. Enforcing consumers' right to safety by ensuring that HACCAP and ISO 2200 food safety standards are enforced in all manufacturing and packaging establishments.
- iii. Facilitating consumers' right to participate in decision making by providing platforms for stakeholder participation in all matters or anticipated changes relating to the effective running of the Tea industry in Kenya.
- iv. Providing for consumers' right to a healthy environment. Kenyan tea is grown within the brown line prescribed by TBK and TRI. The brown line is within high attitude areas in Kenya. Due to the high attitude Kenyan te is less likely to be attacked by pests and diseases and spraying with pesticide. Kenyan tea is therefore natural with no pesticide residue as it is not spraying.

v) Corporate Social Responsibility / Community Engagements

HIV and AIDS poses a great risk to the socioeconomic welfare of the country especially in tea growing areas where research has shown that tea pluckers are among the Kenyans with highest prevalence rates of HIV. In order to create awareness about the dangers of HIV and AIDS among the youth, the Board held a sensitization forum at Kirigara Girls Secondary School in Meru County on 11th October 2022 where it sensitized the girls on HIV/ AIDS and donated sanitary towels and computers to the school.



Sensitization forum on HIV/AIDS and donation of Computers and Sanitary Towels to Kirigara Girls Secondary School in Meru County on 11th October 2022.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the *TBK's* affairs.

i) Principal activities

The principal activities of the Tea Board of Kenya is to develop, regulate and promote the Tea Industry as provided for under the Tea Act, 2020.

ii) Results

The results of the Board for the year ended June 30, 2023 are set out on page 1 and 5 herein.

During the year under review, the Board received a total revenue of Kshs. 324.3 million from Government grants and internally generated sources. From this revenue, the Board applied Kshs. 386.6 million in its programmes thus giving a deficit of Kshs. 62 million.

The Board has a total asset of Kshs. 2.09 billion and total liabilities of Kshs. 74.4 million thus giving a net asset value of Kshs 2.01 billion

iii) Directors

The members of the Board of Directors who served during the year are shown on pages xi - xvii. During the year one director (the chairman) exited on 6th June 2023 and another chairman was appointed with effect from 17th June 2023.


iv) Surplus remission

TBK did not make any surplus during the FY 2022-23 and hence there was no remittance to the Consolidated Fund.

v) Auditors

The Auditor General is responsible for the statutory audit of the Tea Board of Kenya in accordance with Article 229 of the Constitution of Kenya, Section 81 of the Public Financial Management Act, 2012 and Section 69 of the Public Audit Act, 2015.

By Order of the Board


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Name PERIS W. MUDDA

Corporation Secretary/Secretary to the Board

12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act and Section 59 of the Tea Act, 2020, require the Directors to prepare financial statements in respect of the Tea Board of Kenya, which give a true and fair view of the state of affairs of the Tea Board of Kenya at the end of the financial year ended June 30, 2023 and the operating results of the Tea Board of Kenya for the year ended June 30, 2023. The Directors are also required to ensure that the Tea Board of Kenya keeps proper accounting records which disclose with reasonable accuracy the financial position of the Tea Board of Kenya. The Directors are also responsible for safeguarding the assets of the Tea Board of Kenya.

The Directors are responsible for the preparation and presentation of the Tea Board of Kenya's financial statements, which give a true and fair view of the state of affairs of the Tea Board of Kenya for and as at the end of the financial year ended on June 30, 2023. 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 Tea Board of Kenya;
- (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 Tea Board of Kenya;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Tea Board of Kenya's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and the Tea Act, 2020. The Directors are of the opinion that the Tea Board of Kenya's financial statements give a true and fair view of the state of Tea Board of Kenya's transactions during the financial year ended June 30, 2023, and of the Tea Board of Kenya's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Tea Board of Kenya, which have been relied upon in the

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preparation of the Tea Board of Kenya's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Tea Board of Kenya's financial statements were approved by the Board on 28.08.2023 and signed on its behalf by:

Signature.....
Name.....
Chairperson of the Board

Signature.....
Name.....
Chief Executive Officer

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON TEA BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Tea Board of Kenya set out on pages 1 to 51, which comprise of the statement of financial position as at 30 June, 2023,

and the statement of financial performance, statement of changes of net Assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Tea Board of Kenya for the year ended 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tea Act, 2020 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Remittance of Pension

The statement of financial position and Note 28 to the financial statement reflects Kshs.44,106,000 in respect of employee benefit obligations. However, although the salary payments were made net of employees' pension deductions and although the Board of

directors approved the establishment of the board's staff retirement pension scheme, the deductions had not been remitted to the relevant Authorities. This was in contravention of Section 19(4) of the Employment Act, 2007 and the Retirements Benefit Authority Act, 2012 Section 53 (a) on proceedings for recovery of deductions from employees.

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

2. Inadequately Constituted Board

As previously reported, review of the composition of the Board revealed that the board of directors had only eight (8) members. This is contrary to Section 7 of the Tea Act, 2020, which provides that the management of the Board shall vest in the Board of Directors consisting of eleven (11) members.

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

3. Unapproved Investment in Fixed Deposit in Commercial Bank

The statement of financial position and Note 19 of financial statement reflects a cash and cash equivalents balance of Kshs.179,766,000 which includes a balance of Kshs.150,000,000 under fixed deposit account that the Board held in a commercial bank. This is contrary to Section 28(1) of the Public Finance Management Act, 2012 which states that; The National Treasury shall authorize the opening, operating and closing of bank accounts and sub accounts for all national government entities in accordance with regulations made under this Act. Although the Management indicated that the account was not new, according to this section, The National Treasury shall authorize the operating of bank accounts.

Further, the Board invested in commercial banks instead of investing surplus funds in Treasury Bills and or Treasury Bonds directly through the Central Bank of Kenya without intermediaries. This is contrary to The National Treasury Circular no. 4/2017 dated 2 May, 2017 which directed all state corporations and SAGA's to invest surplus funds in Treasury Bills and or Treasury Bonds directly through the Central Bank of Kenya without intermediaries. The circular further directed that all maturing investments of surplus funds previously held in fixed deposits in commercial banks/financial institutions should not be rolled over but retired and invested in treasury bill and or treasury bonds.

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

4. Lack of Tea Act Regulations

The Board was officially formed by the Tea Act, 2020. However, as at 30 June, 2023, several regulations had not yet been enacted to operationalize the Tea Act, 2020. Core functions that require regulations for implementation are listed in the table below:

Tea Act, 2020 Section	Functions Needing Regulations
21(2)	Registration of Small-Scale Tea Growers and Medium Scale Tea Growers
23(2)	Registration Of Large-Scale Tea Growers
24	Issuance of Tea Grower Certificates
25(3)	Licensing of Manufacturers
28(3)	Registration of Warehouse Operator
29(3)	Registration of Tea Packers.
33(4)	Registration of Management Agents
35(3)	Registration of Tea Auction Organizers
37(3)	Registration of Commercial Green leaf transporters
38(3)	Registration of commercial Tea Nurseries
48(2)	Tea Value Addition
49(2)	Appointment of Crop Inspectors
53(4)	Establishment of Tea Levy

In circumstances, the Board risk having no legal framework for carrying out its core functions as stipulated in the Tea Act, 2020.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Staff Under Establishment

Review of the human resource records, and as reported previously, revealed that the Board had an approved staff establishment of one hundred (100) staff against fifty-nine (59) staff members in-post resulting in an overall under establishment by forty-one (41) staff.

In the circumstances, the Board may not have adequate human resource capacity to facilitate effective achievement of its objectives.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Board'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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level

of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 March, 2024

14. Statement of Financial Performance for the year ended 30 June 2023

	Notes	2022-2023 Kshs '000'	2021-2022 Restated Kshs '000'	2021-2022
Revenue from non-exchange transactions				
Transfers from other governments entities	6	250,000	300,425	300,425
Licenses and Registration Fees	7	4,224	2,783	2,783
		254,224	303,208	303,208
Revenue from exchange transactions				
Rental revenue from facilities and equipment	8	1,077	1,043	-
Finance income	9	67,985	68,084	68,084
Other income/Miscellaneous	10	1,064	3,745	3,745
Total revenue		324,351	376,080	375,037
Expenses				
Use of goods and services	11	158,200	333,844	333,844
Employee Costs	12	143,068	120,278	120,278
Board Expenses	13	29,491	14,208	14,208
Depreciation and amortization expense	14	28,528	18,671	18,671
Repairs and maintenance	15	4,935	4,315	4,315
Contracted Services	16	22,475	15,131	15,131
Total expenses		386,697	506,447	506,447
Other gains/(losses)				
Gain on foreign exchange transactions	17	343	-	-
Surplus before tax		(62,003)	(130,367)	(131,410)
Remission to National Treasury	18	-	-	-
Net Surplus for the year		(62,003)	(130,367)	(131,410)

The notes set out on pages 9 to 57 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 57 were approved by the Board of Directors on 28th August 2023.

The Tea Board of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2023.

Chief Executive Officer



Willy K Mutai

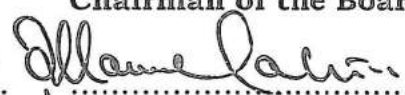
Head of Finance



JOHN KARUKI

ICPAK No 11677

Chairman of the Board



Jacob Kaman KAKU

Date. 21/02/2024

Date. 21/02/2024


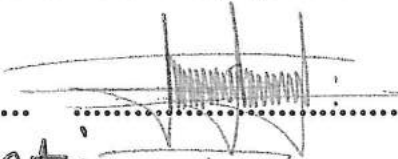

Date. 21-02-2024

15 Statement of Financial Position as at 30 June 2023

	Notes	2022-2023 Kshs '000'	2021-2022 Restated Kshs '000'	2021-2022 Kshs '000'
Assets				
Current Assets				
Cash and cash equivalents	19	179,766	365,168	365,168
Receivables from Exchange Transactions	20	64,126	12,402	11,359
Receivables from Non-Exchange Transactions	21	110,605	111,575	111,575
Total Current Assets		354,497	489,146	488,103
Non-Current Assets				
Property, plant and equipment	22	1,030,454	993,073	993,073
Intangible Assets	23	2,699	-	-
Securities and Deposits	24	698,176	666,382	666,382
Total Non- Current Assets		1,731,328	1,659,455	1,659,455
Total Assets		2,085,825	2,148,600	2,147,557
Liabilities				
Current Liabilities				
Trade and other payables	25	25,087	45,449	45,449
Refundable deposits from customers	26	604	87	87
Current Provision	27	4,596	1,116	1,116
Employee benefit obligation	28	44,106	28,512	28,512
Total Current Liabilities		74,393	75,165	75,165
Non-Current Liabilities				
Non-current Provision		-	-	-
Total Non- Current Liabilities		-	-	-
Total Liabilities		74,393	75,165	75,165
Net assets				
Revaluation Reserve		510,380	510,380	510,380
Accumulated surplus		1,261,999	1,324,002	1,322,959
Capital Fund		239,053	239,053	239,053
Total Net Assets		2,011,432	2,073,436	2,072,393
Total Net Assets and Liabilities		2,085,825	2,148,600	2,147,557

The Tea Board of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2023.

The financial statements set out on pages 1 to 57 were signed on behalf of the Board of Directors by:

		
.....
Name..... <u>Willy K Mutai</u>	Name..... <u>JOHN K. KORWIRA</u>	Name..... <u>JAMES K. KAHUI</u>
Chief Executive Officer	Head of Finance ICPAK No 11677	Chairman of the Board

Date..... <u>21/02/2024</u>	Date..... <u>21/02/2024</u>	Date..... <u>21-02-2024</u>
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The Tea Board of Kenya
Annual Reports and Financial Statements
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16. Statement of Changes in Net Assets for the year ended 30 June 2023

	Revaluation Reserve Kshs '000'	General Reserve Kshs '000	Capital Reserve Kshs '000	Total Kshs '000
As at July 2021	510,380	1,454,370	239,053	2,203,803
Surplus for the Period	-	(131,410)	-	(131,410)
Return of surplus funds to National Treasury	-	-	-	-
Capital/ Dev't Grant Utilised During the Year	-	-	-	-
Balance as at 30 June 2022	510,380	1,322,959	239,053	2,072,393
As at July 2022	510,380	1,322,959	239,053	2,072,393
Restatement / Prior Year Adjustment**	-	1,043	-	1,043
Surplus for the Period	-	(62,003)	-	(62,003)
Transfers to/from Accumulated Surplus	-	-	-	-
Return of surplus funds to National Treasury	-	-	-	-
Balance as at 30 June 2023	510,380	1,261,999	239,053	2,011,432

Note

** Restatement / Prior Year Adjustment relates to rent charged to James Finlay Kenya Ltd for occupying part of ground floor at Tea House Bloc B. Comparative figures for the FY 2021-22 have been restated to reflect Kshs. 1,042,983 for rent paid by James Finlay Kenya to AFA in the period 20221-22 but omitted in the audited financial statements.

The Tea Board of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2023.

17. Statement of Cash Flows for the year ended 30 June 2023

	NOTES	2022- 2023	2021-2022 Restated	2021-2022
		Kshs '000	Kshs '000	Kshs '000
Cash Generated from Operations				
Surplus for the Year Before Tax		(62,003)	(130,367)	(131,410)
Adjusted for:				
Depreciation	14	28,528	18,671	18,671
Gains on Foreign Exchange	17	(343)	-	-
Finance Income	9	(67,985)	(68,084)	(68,084)
Working capital adjustments:				
Increase in Receivables	20 & 21	(50,753)	(106,860)	(105,817)
Increase in Employee Benefit Obligation	28	15,593	15,175	15,175
Increase in Current Provision	27	3,480	1,116	1,116
Increase in Payables	25	(19,846)	25,322	25,322
Net Cash Flows from Operating Activities	29	(153,329)	(245,027)	(245,027)
Cash Flows from Investing Activities				
Purchase of Property, Plant, Equipment	22 & 23	(68,607)	(2,352)	(2,352)
Gains and Losses on Disposal of Assets/ Foreign Exchange	17	343	-	-
Increase/Decrease in Securities & Deposits	24	(31,794)	(455,073)	(455,073)
Finance Income	9	67,985	68,084	68,084
Net Cash Flows used in Investing Activities		(32,073)	(389,341)	(389,341)
Cash Flows from Financing Activities				
Finance Cost		-	-	-
Net Cash Flows used in Financing Activities		-	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		(185,402)	(634,368)	(634,368)
Cash and Cash Equivalents at 1 July		365,168	999,536	999,536
Cash and Cash Equivalents at 30 June		179,766	365,168	365,168

The Tea Board of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2023.

The Financial Statements set out on pages 1 to 58 were signed on behalf of the Board of Directors by:

James Kamau KAMU
.....
Alamulamin
.....

Board Chairman

JOHN KARUKU
.....

Head of Finance
ICPAK No 11677

WILSON K. MUTA
.....

Chief Executive Officer

Date *21-02-2024*

Date *21/02/2024*

Date *21/02/2024*

The Tea Board of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2023.

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	Original budget	Adjustment s	Final budget	Actual on comparable basis	Performanc e difference	% of utilisatio n
	Kshs A	Kshs b	Kshs C=(a+b)	Kshs d	Kshs e=(c-d)	F=d/c
Revenue						
Transfers from other governments entities	300,000	(50,000)	250,000	250,000	-	100%
Licenses and Registration Fees	3,700		3,700	4,224	524	114%
Finance income	84,300		84,300	67,985	(16,315)	81%
Other income/Miscellaneous	5,000		5,000	2,141	(2,859)	43%
Total revenue	393,000	(50,000)	343,000	324,351	(18,649)	95%
Expenses						
Employee Costs	124,239	23,360	147,599	143,068	4,530	97%
Remuneration of Directors	19,100	8,579	27,679	29,491	(1,811)	107%
Use of goods and services	207,915	(69,539)	138,376	158,200	(19,824)	114%
Contracted Services	21,000	(10,300)	10,700	22,475	(11,775)	210%
Depreciation and amortization expense	14,946	-	14,946	28,528	(13,582)	191%
Repairs and maintenance	5,800	(2,100)	3,700	4,935	(1,235)	133%
Total expenses	393,000	(50,000)	343,000	386,697	(43,697)	113%
Total Other Gains/(Losses)				343	343	
Surplus/Deficit	-	-	-	(62,003)	(62,003)	

Budget Notes

- A. A reconciliation between deficit as per statements of financial performance and comparison of budget and actual amounts is provided as follows

	Amount in Kshs '000
Deficit as per statements of financial performance	(62,003)
Transfers from Accumulated Surplus	-
deficit as per statements of comparison of budget	(62,003)

- B. An explanation of differences between actual and budgeted amounts above or under 10% are provided herein below in accordance with IPSAS 24.14; -

1. Licenses and Registration Fees

The total amount received by the Board in the FY 2022-23 is Kshs 4.2 million against a target of Kshs. 3.7 million registering a positive variance of Kshs 0.5 million owing to an increase in new applications for licenses and registration certificates during the year.

2. Finance Income

The total amount received by the Board in the FY 2022-23 is Kshs 67.9 million against a target of Kshs. 84.3 million registering a negative variance of Kshs 16.3 million owing to a decline in interest income.

3. Other Income

The total amount received by the Board in the FY 2022-23 is Kshs 2.1 million against a target of Kshs. 5 million registering a negative variance of Kshs 2.9 million owing to postponement of the Annual Tea Gala which was poised to be held in February 2023.

4. Use of Goods and Services

In the FY 2022-23, the Board incurred Kshs 158.4 million against a target of Kshs. 138.4 million registering a negative variance of Kshs 20 million. The over expenditure resulted from reduction of the government grant by Kshs. 50 million yet most of the expenditure had already been procured and the funds committed by the time the reduction was affected.

5. Contracted Services

In the FY 2022-23, the Board incurred Kshs 22.4 million against a target of Kshs. 10.7 million registering a negative variance of Kshs 11.7 million owing to reduction of the government grant by Kshs. 50 million yet most of the expenditure had already been procured and the funds committed by the time the reduction was affected.

6. Depreciation and Amortization Expense

In the FY 2022-23, the Board incurred Kshs 28.5 million against a target of Kshs. 14.9 million registering a negative variance of Kshs 13.5 million owing to procurement of 2 additional motor vehicles in the period.

7. Repairs and Maintenance

In the FY 2022-23, the Board incurred Kshs 4.9 million against a target of Kshs. 3.7 million registering a negative variance of Kshs 1.2 million.

19. Notes to the Financial Statements

1. General Information

The Tea Board of Kenya (TBK) is established by and derives its authority and accountability from the Tea Act, 2020. TBK is wholly owned by the Government of Kenya and is domiciled in Kenya. TBK's principal activity is to develop, regulate and promote the tea industry as provided in the Tea Act, 2020

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 Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Tea Act, 2020 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 41: Applicable: 1st January 2023:	
Financial Instruments	<p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

Financial instruments are not projected to form a significant part of TBK's assets in the foreseeable future. Consequently, *IPSAS 41 on Financial Instruments* did not have any impact on TBK's financial results for the FY 2022-23.

IPSAS 42: Applicable: 1st January 2023	
Social Benefits	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none">a) The nature of such social benefits provided by the Entity.

- b) The key features of the operation of those social benefit schemes; and
- c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.

The Tea Board of Kenya did not have any Social Benefits expenditure within the definition of IPSAS 42 in the financial year 2022-23. consequently, TBK did not have any information on expenses and liabilities for social benefits to disclose that would be useful to the users of the financial statements to evaluate the nature and financial effects of the social benefits being provided.

Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments

Applicable: 1st January 2023:

- a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.
- b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.
- c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.
- d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

In the FY 2022-23, there was no amendments to other IPSAS resulting from IPSAS 41, Financial Instruments for the Tea board of Kenya.

Other improvements to IPSAS

Applicable 1st January 2023

- *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008).
- *IPSAS 39: Employee Benefits.* Now deletes the term composite social security benefits as it is no longer defined in IPSAS.
- **IPSAS 29: Financial instruments: Recognition and Measurement.** Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

In the FY 2022-23, there was no impact on TBK's financial statements by the improvements on *IPSAS 22 Disclosure of Financial Information about the General Government Sector*, *IPSAS 39: Employee Benefits* and *IPSAS 29: Financial instruments: Recognition and Measurement*.

ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.***

Standard **Effective date and impact:**

IPSAS 43 ***Applicable 1st January 2025***

The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.

The proposed IPSAS 43 which has an effective date of January 1, 2025 is expected to have some impact on the Board's financial statements in future but have no impact in financial statements for the year ended 30 June, 2023. This is because has some has a lease with James Finlay Kenya Ltd for its rental property in Nairobi. The Board will in future recognise, measure and present information on right of use assets and lease liabilities in accordance with IPSAS 43.

IPSAS 44: ***Applicable 1st January 2025***

Non- Current The Standard requires,

Assets Held Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:

for Sale and Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

Discontinued In the FY 2022-23, the Board did not have any Assets Held for Sale and Discontinued Operations and therefore there was no impact on TBK's financial statements by IPSAS 44: *Non- Current Assets Held for Sale and Discontinued Operations*

Operations

iii. Early adoption of standards

TBK did not early – adopt any new or amended standards in the financial year

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

a) Revenue recognition

i) Revenue from non-exchange transactions - IPSAS 23

Licences and Registration Fee

TBK recognizes revenues from licences, registration fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to TBK and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to TBK and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions - IPSAS 9

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

b) Budget information

The original budget for FY 2022-2023 for the Tea board of Kenya was approved by the National Assembly and communicated through the State Department Crop Development and Agricultural Research on 22nd August 2022. During the year, there were no subsequent appropriations that were received. However, subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. In this regard, TBK's budget for the FY 2022-23 was revised from Kshs. 393 million and was received on 25th April 2023.

TBK's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under note 18 of these financial statements.

c) Taxes

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 TBK operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. 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.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary

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

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, TBK recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The useful lives of items of property, plant and equipment have been assessed on a straight-line method as follows: -

Asset	Depreciation Method	Depreciation Rate	Useful Life
Land			Leasehold period
Buildings	Straight-line	2.50%	40yrs
Motor Vehicles	Straight-line	25.00%	4yrs
Computers	Straight-line	33.30%	3yrs
Office & Communication Equipment	Straight-line	12.50%	8yrs
Furniture, Fixtures & Fittings	Straight-line	12.50%	8yrs

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *TBK* Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments.

The *TBK* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *TBK* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to *TBK*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date. Amortization is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Asset	Depreciation Method	Depreciation Rate	Useful Life
Intangible Assets	Straight-line	20%	5yrs

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

g) Research and development costs

TBK expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *TBK* can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of *TBK*.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

i) Provisions

Provisions are recognized when TBK has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where TBK expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

j) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole.

TBK recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that TBK will incur in fulfilling the present obligations represented by the liability.

k) Contingent liabilities

TBK does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Contingent liabilities for TBK relates to various court cases enumerated in Note no. 31

l) Contingent assets

TBK does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of TBK in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

m) Nature and purpose of reserves

In accordance with IPSAS 1, where an entity has no share capital, it shall disclose net assets/ equity, either on the face of the statement of financial position or in the notes, showing separately: contributed capital, accumulated surpluses, reserves (including a description of the nature and purpose of each reserve within net assets/ equity; and minority interests. The Board maintains the following reserves for the purposes stated: -

1. **Capital Reserve** – This represents the seed money used by the government for establishment of the defunct Tea Board of Kenya under the Tea Act Cap 343. It is primary reserve that finances major assets of the Board and is treated as a capital reserve.
2. **Revaluation Reserve** – This is the reserve created from revaluation of Property, Plant and Equipment being the difference between the carrying amount and the fair value of fixed assets in accordance with IPSAS 17. This is necessary for the proper accounting of fixed asset values, under fair value accounting and therefore has been reported separately in financial statements. This reserve is only adjusted revaluation of Property, Plant and Equipment in accordance with IPSAS 17.
3. **General Reserve** – This is created from accumulated surplus of the Board and is used to strengthen the liquid resources of the Board. This reserve is treated as revenue reserve in the financial statements.

n) Changes in accounting policies and estimates

TBK recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

o) Employee benefits

Retirement benefit plans

TBK provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The contributions and lump sum payments reduce the post-employment benefit obligation.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

The Board is in the process of establishing a contributory benefit plan for its staff. Consequently, a monthly provision is made at the rate of 20% representing the Board's contribution for the pension scheme. The details of the monies set aside in these Financial Statements are disclosed in note 27.

p) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

q) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

r) Related parties

TBK regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the *TBK* or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers. The Board as a State Corporation under the Ministry of Agriculture and Livestock Development operates under the guidance and Direction of the Ministry.

However, even though some of the major decisions regarding operations of the Board were subject to the approval by the Ministry, the Board operates with a high degree of autonomy.

s) 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.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

t) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. In particular, the comparative figures for the FY 2021-22 have been restated to reflect Kshs. 1,042,984 for rent due from AFA paid by James Finlay Kenya.

u) 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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of TBK's financial statements in conformity with IPSAS 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. State all judgements, estimates and assumptions made:

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. TBK based its assumptions and estimates on parameters available when the consolidated 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 TBK. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by TBK.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

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.

This includes provisions for audit fees, legal fees, pensions and bad debts. Additional disclosure of these estimates of provisions is included in Note 26.

Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	2022-2023 Kshs "000"	2021-2022 Kshs "000"
Unconditional grants		
Operational grant	250,000	300,425
Other grants	-	
Total Unconditional Grants	250,000	300,425
Conditional grants		
Other organizational grants	-	
Total government grants and subsidies	250,000	300,425

The purpose of the grant to finance operations of the Board while undertaking its regulatory functions stipulated in the Tea Act, 2020.

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2022-23	Total transfers 2021-22
	Kshs "000"	Kshs "000"	Kshs "000"	Kshs "000"	Kshs "000"
State Department of Crop Development Agriculture and Food Authority	250,000	-	-	250,000	150,213
				-	150,213
Total	250,000	-	-	250,000	300,425

7. Licenses and Registration Fees

Description	2022-2023 Kshs "000"	2021-2022 Kshs "000"
Licenses & Registration	4,224	2,783
Total	4,224	2,783

These comprises of the fees charged to various industry players for issuance of either a license or registration certificate to operate.

Notes to the Financial Statements (Continued)

8. Rental Revenue from Facilities and Equipment

Description	2022-2023	2021-2022	2021-2022
	Kshs "000"	Restated Kshs "000"	Kshs "000"
Operating lease revenues	1,077	1,043	-
Total rentals	1,077	1,043	-

These relates to the rent charged to James Finlay Kenya Ltd for occupying part of ground floor at Tea House Bloc B. Comparative figures for the FY 2021-22 have been restated from Nil to Kshs. 1,042,984 being rent paid by James Finlay Kenya to AFA in the period 20221-22 but had previously been omitted in the financial statements.

9. Finance Income

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Interest from collateral deposits	67,985	68,084
Total finance income	67,985	68,084

10. Other/ Miscellaneous Income

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Sponsorship	300	2,005
Others	764	1,740
Total other income	1,064	3,745

During the FY 2022-23, the Board received a sponsorship of Kshs. 300,000 Rainforest during the Climate Change adaptation, mitigation and best environment conservation practices in commemoration of the World Environment Day. Other incomes comprised of charges during the world environment day in Embu and a refund on geographic indications activities from Cirad.

Notes to the Financial Statements (Continued)

11. Use of Goods and Services

Description	2022-2023 Kshs "000"	2021-2022 Kshs "000"
Stakeholders Forums	-	1,806
Open Days, Shows & Exhibitions	-	674
Collaboration & cordinations	884	1,946
Capacity Building	6,769	15,965
Research & Innovation	175	578
Compliance Inspections	6,510	13,937
Surveillance Audits	2,172	14,072
Industry Governance	7,302	6,128
Registrations & Licensing	1,077	3,005
Quality analysis	-	5,700
Development and Review of Stds	2,667	14,041
International Forum/Meetings	955	1,377
Environmental sustainability	57	508
Quality assurance & monitoring	382	5,000
Stakeholders excellence awards	734	4,357
Generic Promotion & Market Dev't.	31,934	22,658
Market Research & Development	5,658	8,038
Subscriptions to Associations	3,669	10,674
Trade Advisory	-	5,331
Overseas conference Expenses	6,509	-
Value Addition	2,757	10,199
Mark of Origin & Geographic Indications	66	1,500
Special Projects	-	114,243
Public Awareness & Publicity	4,502	3,014
Public relations and corporate branding	988	5,178
Corporate Social Responsibility	157	218
Planning and strategy	765	2,867
Monitoring & Evaluation	45	1,056
Staff Welfare	3,486	6,073
Train, Semi, Retreats & W-shops	5,742	11,833
Subscriptions to Professional Bodies	233	250
Team Building	-	2,400
Internships and attachment	1,206	980
M&E of HR activities	10,675	219
Systems Audit	2,339	2,691

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Notes to the Financial Statements (Continued)

11. Use of Goods and Services (Cont..)

Description	2022-2023 Kshs "000"	2021-2022 Kshs "000"
Internal Audit	2,260	1,392
Risk Management	-	699
M&E of Legal Activities	2,578	-
Dev. & Review of Regulations	1,370	489
Common user items-Printing & Stationery	3,193	2,891
Comm Telephone and Postage	4,848	3,994
Common User Items-Sundries	640	173
Newspapers, Periodicals, Journals	1,276	684
Cleaning and Sanitary	287	-
Record management	223	858
Tender Advertisements	98	606
Fuel expenses	4,268	2,798
Others vehicle expenses	2,566	1,419
Land Rent & Rates	139	271
Office Rent	240	1,175
Electricity	1,463	3,044
Water	402	292
General & Staff Facilitation	3,098	2,032
M&E Finance Activities	6,567	4,540
Bank Charges	793	895
International Missions & Conferences	355	-
Stakeholder's Hospitality	198	990
Evaluation of Tenders	303	542
M&E of Procurement Programmes	1,762	363
Computer Accessories	362	1,700
M&E of ICT projects	7,024	2,400
Email And Internet	1,475	1,082
Internal Audit	2,260	1,392
Risk Management	-	699
Total Use of Goods and Services	158,200	333,844

This comprises most of the expenses of the Board which caters mostly for operations and administration.

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Notes to the Financial Statements (Continued)

12. Employee Costs

	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Salaries and Allowances	116,519	96,468
Employer contribution to pension schemes	12,135	11,014
Staff Medical Insurance	14,414	12,796
Total	143,068	120,278

This includes both the payroll costs and medical costs for staff

13. Board Expenses

	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Sitting & Lunch Allowances	6,749	2,446
Accommodation and Subsistence	9,190	5,032
Board Members Travel	5,849	3,460
BM Capacity Building & Trainings	5,450	1,995
Board Member Airtime	91	-
Directors Honorarium	997	-
Board Members Medical & Insurance	1,165	1,275
Total	29,491	14,208

14. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Property, plant and equipment	27,853	18,671
Intangible assets	675	-
Total depreciation and amortization	28,528	18,671

15. Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Property	3,126	970
Automobiles	1,188	2,241
Computer and Electronic Equipment	73	593
Others	548	511
Total repairs and maintenance	4,935	4,315

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Notes to the Financial Statements (Continued)

16. Contracted Services

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Hire of Security	3,455	2,390
Legal Fees	3,462	2,510
Local Travelling Expenses/Taxi	7,395	4,864
Audit Fees	3,480	1,116
Consultancy Services/Management Fees	1,200	-
Insurance Services	3,483	1,791
Cleaning Services	-	2,460
Total	22,475	15,131

17. Other gains/(losses)

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Gain on foreign exchange transactions	343	-
Gain on Sale of Assets	-	-
Total depreciation and amortization	343	-

This entailed the exchange differences arising from the translation of USD denominated account; CitiBank 0300026063 into the KES using CBK the closing rate of 140.6 in accordance with IPSAS 4; *The Effects of Changes in Foreign Exchange Rates*.

18. Surplus Remission

	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Surplus for the period	(62,003)	(130,367)
Less: Allowable deductions by NT	-	-
90% computation (Included in Statement of Financial performance)	-	-
Surplus Remission Payable		
Payable at the beginning of the year	-	-
Paid during the year	-	-
Payable at end of the year	-	-

Notes to the Financial Statements (Continued)

19. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Current account	29,766	65,168
Fixed deposits account	150,000	300,000
Total cash and cash equivalents	179,766	365,168

The decline in cash and cash equivalents was as a result of funds used to finance the capital and development budget for the period 2021-22, delays in receipt of the government subvention for June 2023 and the deficit for the two years.

Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2022-2023	2021-2022
		Kshs "000"	Kshs "000"
a) Current account			
Citibank NA - KES	0300026036	18,166	15,791
Citibank NA - USD	0300026063	2,094	1,245
National Bank of Kenya	01003000544300	3,008	12,591
National Bank of Kenya	01003007525500	15	77
Co-operative Bank of Kenya	01120007120700	6,482	35,464
Sub- total		29,766	65,168
b) On - call deposits			
Sub- total		-	-
c) Fixed deposits account			
Co-operative Bank of Kenya	01132007120773	150,000	300,000
Sub- total		150,000	300,000
Grand total		179,766	365,168

Notes to the Financial Statements (Continued)

20. Receivables from Exchange Transactions

Description	2022-2023	2021-2022	
	Kshs "000"	Restated Kshs "000"	2021-2022 Kshs "000"
Current receivables			
Rent Debtors**	2,161	1,043	-
Trade Debtors	33,662	-	-
Prepayments		2,849	2,849
Other Debtors	28,303	8,510	8,510
Total current receivables	64,126	12,402	11,359

** "Rent Debtors" restatement for FY 2021-22 comprises of the rent charged to James Finlay Kenya Ltd for occupying part of ground floor at Tea House phase II. Comparative figures for the FY 2021-22 have been restated to reflect Kshs. 1,042,984 for rent paid by James Finlay Kenya to AFA in the period 2021-22 but omitted in the financial statements.

21. Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Staff Debtors	233	1,876
Staff Advance	187	67
Receivables from Govt Agencies-Deposit*	517	1,922
Receivables from Govt Agencies-Mortgage**	109,668	107,709
Total current receivables	110,605	111,575

** "Receivable from Government Agencies – Mortgage" represents monies contributed by the Tea Directorate for the staff mortgage being held by AFA awaiting the separation of the mortgage facility between TBK and AFA and has therefore being reported as a receivable from non-exchange transaction in these financial statements.

* "Receivable from Government Agencies – Deposit" represents rent deposit receivable from AFA for James Finlay occupancy in Tea house Bloc B.

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Notes to the Financial Statements (Continued)

22. Property, Plant and Equipment

	Land Kshs "000"	Buildings Kshs "000"	Work in Progress Kshs "000"	Automobiles Kshs "000"	Computer and Electronic Equipment Kshs "000"	Office and Communication Equipment Kshs "000"	Furniture and Fittings Kshs "000"	TOTAL Kshs "000"
Cost								
As at 1st July 2021	441,500	625,431	-	31,600	10,777	16,651	16,478	1,142,436
Additions	-	-	-	-	252	83	2,017	2,352
At 30 June 2022	441,500	625,431	-	31,600	11,028	16,733	18,495	1,144,788
Additions	-	-	21,743	28,011	9,375	974	5,131	65,234
At 30 June 2023	441,500	625,431	21,743	59,611	20,404	17,707	23,626	1,210,022
Depreciation and Impairment								
As at 1st July 2021	-	62,294	-	31,600	9,867	14,464	14,817	133,043
Depreciation	-	15,636	-	-	534	1,010	1,491	18,671
Transfers/Adjustments	-	-	-	-	-	-	-	-
At 30 June 2022	-	77,930	-	31,600	10,401	15,475	16,309	151,715
Depreciation	-	15,643	-	7,003	3,659	369	1,190	27,853
Transfer/Adjustment	-	-	-	-	-	-	-	-
At 30 June 2023	-	93,573	-	38,603	14,060	15,844	17,498	179,568
Net Book Values								
At 30 June 2023	441,500	531,858	21,743	21,009	6,344	1,873	6,127	1,030,454
At 30 June 2022	441,500	547,501	-	-	627	1,259	2,186	993,073

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Notes to the Financial Statements (Continued)

22 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs "000"	Kshs "000"	Kshs "000"
Land	70,400	-	70,400
Buildings	593,879	-89,233	504,646
Automobiles	79,700	-58,692	21,009
Computer & Electronic Equipment	19,574	-13,366	6,209
Office & Communication Equipment	15,997	-13,384	2,612
Furniture and Fittings	21,524	-14,396	7,128
Totals	801,074	-189,070	612,004

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

	Cost	Normal Annual Depreciation charge
Automobiles	51,689	3,048
Total	51,689	3,048

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Notes to the Financial Statements (Continued)

23. Intangible Assets	2022-2023	2021-2022
	Kshs '000	Kshs '000
COST		
At July 1	4,534	4,534
Software Additions	3,373	-
At June 30	7,907	4,534
AMORTISATION		
At July 1,	4,534	4,534
Transfer/Adjustments	-	-
Charge for the year	675	-
At June 30	5,209	4,534
NET BOOK VALUE		
At June 30	<u>2,699</u>	=

Intangible Assets comprises of several systems and software that were acquired separately are initially recognized at cost and then carried at cost less any accumulated amortization and accumulated impairment losses. Whereas some of the systems are still in use, they have a finite useful life and the Board is in the process of transiting to other systems which will be recognized at cost.

Intangible Assets includes the following assets that are fully depreciated:

	Cost	Normal Annual Amortisation charge
	Kshs '000	Kshs '000
ePortal and accounting software	4,534	906.8
Total	4,534	906.8

Notes to the Financial Statements (Continued)

24. Securities & Deposits

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Kenya Commercial Bank - Staff Mortgage	563,475	563,475
National Bank of Kenya - Unsecured Personal Loan	83,828	52,907
National Bank of Kenya - Staff car loan	50,873	50,000
Total cash and cash equivalents	698,176	666,382

25. Trade and Other Payables

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Trade payables	25,082	45,449
Other payables	5	-
Total trade and other payables	25,087	45,449

26. Refundable Deposits and Prepayments from Customers

Description	2022-2023	2021-2022
	Kshs "000"	Kshs "000"
Customer deposits	604	87
Other deposits	-	-
Payments received in advance	-	-
Total deposits	604	87

Notes to the Financial Statements (Continued)

27. Current Provisions

Description	Leave	Bonus	Gratuity	Other	Total
	provision	provision	Provision	provision	
	Kshs "000"	Kshs "000"	Kshs "000"	Kshs "000"	
Balance b/d (1.07.2021)	-	-	-	1,116	1,116
Additional Provisions	-	-	-	3,480	3,480
Provision utilized	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Transfers from non-current provisions	-	-	-	-	-
Total provisions as at 30.6.2021	-	-	-	4,596	4,596

This entails the provision for audit fees.

28. Employee Benefit Obligations

Description	Defined	Post- employment	Other	2022-	2021-
	benefit	medical	Benefits	2023	2022
	plan	benefits	Kshs	Kshs	Kshs
	Kshs "000"	Kshs "000"	"000"	"000"	"000"
Current benefit obligation	-	-	44,106	44,106	28,512
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	44,106	44,106	28,512

With effect from July 1, 2020 the Tea Board of Kenya operates a contributory benefit scheme for all full-time employees in accordance with the AFA terms and service of employment. However, the Board is in the process of registering the Scheme with the Retirement Benefits Authority (RBA) which has been approved by the Board of Directors and the National Treasury. The contributions for both employees and the employer are 10% and 20% respectively.

Notes to the Financial Statements (Continued)

The amount deducted from staff is usually added to the employer's contribution and the liability recognised in the financial statements as Employee Benefit Obligations. The Board has engaged an administrator to administer the fund in accordance with the Retirement Benefits Act NO. 3 OF 1997 and is in the process of registering with RBA. Once the scheme is registered with RBA, in this regard, the liability has been carried in the financial statement at present value.

TBK also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. TBKs obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,160 per employee per month. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

29. Cash Generated from Operations

	2022-2023	2021-2022	2021-
	2022-2023	Restated	2022
	Kshs "000"	Kshs "000"	Kshs
			"000"
Cash Generated from Operations			
Surplus for the Year Before Tax	(62,346)	(130,367)	(131,410)
Adjusted for:			
Depreciation	28,528	18,671	18,671
Gains on Foreign Exchange	-	-	-
Finance Income	(67,985)	(68,084)	(68,084)
Working capital adjustments:			
Increase in Receivables	(50,753)	(106,860)	
Increase in Employee Benefit Obligation	15,593	15,175	15,175
Increase in Current Provision	3,480	1,116	1,116
Increase in Payables	(19,846)	25,322	25,322
Net Cash Flows from Operating Activities	(153,329)	(245,027)	(245,027)

Notes to the Financial Statements (Continued)

30. Financial Risk Management

The Board's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. TBK'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. TBK does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Board. Credit Risk arises from bank balances, receivables and amounts due from related parties. Although this risk is unlikely to occur in the short term, it is mitigated as follows:

- i. Cash and short-term deposits are placed with well-established financial institutions of high quality and credit standing and also approved by the National Treasury;
- ii. Funds are invested in short-term facilities; and
- iii. The Board does not raise receivables in its ordinary course of business.

Credit risk with respect to accounts receivable is limited due to the nature of the Board's business and its reliance on government grant as the main source of funding. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the TBK'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 TBK's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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Notes to the Financial Statements (Continued)

Exposure to Credit Risk

	Total Amount Kshs "000"	Fully performing Kshs "000"	Past Due Kshs '000	Impaired Kshs "000"
As at 30 June 2023				
Current portion of receivables from exchange transactions	64,126	64,126	-	-
Receivables from non-exchange transactions	110,088	110,088	-	-
Bank Balances	179,423	179,423	-	-
Total	353,637	353,637	-	-
As at 30 June 2022				
Current portion of receivables from exchange transactions	11,359	11,359	-	-
Receivables from non-exchange transactions	111,575	111,575	-	-
Bank Balances	365,168	365,168	-	-
Total	488,102	488,102	-	-

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 there was no need to provide for an allowance for uncollectible amounts since TBK has considered all amounts to be recoverable. TBK has significant concentration of credit risk on amounts due from AFA amounting to Kshs. 108.1 million. The board of directors sets the TBK'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 TBK's directors, who have built an appropriate liquidity risk management framework for the management of the Board's short, medium and long-term funding and liquidity management requirements. The Board manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Board 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.

Notes to the Financial Statements (Continued)

30. Financial Risk Management (Cont.....)

Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Exposure to Liquidity Risk

	Less than 1 month Kshs "000"	1-3 months Kshs "000"	3-6 months Kshs "000"	6-12 months Kshs "000"
As at 30 June 2023				
Trade and other payables	8,178	889	3,243	16,025
Refundable deposits from customers	-	-	-	4,596
Current Provision	-	-	-	-
Employee benefit obligation	3,440	3,440	3,440	31,952
Total	11,617	4,329	6,683	52,573
As at 30 June 2022				
Trade and other payables	4,773	7,201	2,300	31,175
Current Provision	-	5	-	-
Employee benefit obligation	-	-	28,512	-
Total	4,773	7,206	30,812	31,175

iii) Market risk

TBK has put in place an internal audit function to assist it in assessing the risk faced by TBK 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 TBK'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. TBK'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 TBK's exposure to market risks or the manner in which it manages and measures the risk.

Notes to the Financial Statements (Continued)

30. Financial Risk Management (Cont.....)

a) Foreign currency risk

TBK has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. TBK manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments. As at reporting date, TBK did not have future commercial transactions in foreign currency but had a recognised asset in form of a US Dollars denominated account i.e. CitiBank Account 0300026063 which exposed it to foreign currency risk. However, the account balance is not significant to expose the Board to significant transactional currency risk.

b) Interest rate risk

Interest rate risk is the risk that TBK's financial condition may be adversely affected as a result of changes in interest rate levels. TBK's interest rate risk arises from bank deposits. This exposes the Board to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Board's deposits. In order to manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity Analysis

TBK analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point (1%) it would result in a decrease/increase in profit of Kshs 679,853 and Kshs. 680,838 in FY 2022/23 and 2021/22 respectively. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs. 3,399,263 and 3,404,189 in FY 2022/23 and 2021/22 respectively.

Notes to the Financial Statements (Continued)

30. Financial Risk Management (Cont.....)

Sensitivity analysis

	2022-2023	2021-2022
	Kshs '000	Kshs '000
Revenue from interest rates	67,985	68,084
Increase/ Decrease in interest rates by 5%	3,399	3,404
Increase/ Decrease in interest rates by 1%	680	681

iv) Capital Risk Management

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

Capital Risk Management

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	510,380	510,380
Retained earnings	1,261,999	1,324,002
Capital reserve	239,053	239,053
Total funds	2,011,432	2,073,436
Total borrowings	-	-
Less: cash and bank balances	(179,766)	(365,168)
Net debt/(excess cash and cash equivalents)	1,831,666	1,707,225
Gearing	0%	0%

31. Related Party Disclosures

a. Government of Kenya

The Government of Kenya is the principal shareholder of the Tea Board of Kenya, holding 100% of the TBK's equity interest.

Other related parties include:

- i) The Ministry of Agriculture, Livestock, Fisheries and Cooperatives;
- ii) Agriculture and Food authority by virtue of the historical relationship between former Tea directorate and the Authority.

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Notes to the Financial Statements (Continued)

31. Related Party Disclosures (Cont.....)

	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
a) Grants /Transfers from the Government		
State Department of Crop Development	250,000	150,213
Agriculture & Food Authority	-	150,213
Total	250,000	300,425
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for TBK employees	-	-
Total	-	-
c) Receivables from related party		
AFA Collateral for staff Mortgage and car loan	109,668	107,709
Total	109,668	107,709

32. Contingent Liabilities

Court cases

As at reporting date TBK had several court cases emanating from the AFA Tea Directorate which transferred to the Board by virtue of the law. Section 77 of the Tea Act, 2020 provides *All legal proceedings and claims pending in respect of actions and activities to which this Act apply shall be continued or enforced by or against the Board and the Foundation in the same manner as they would have been continued or enforced by or against the Agriculture and Food Authority and the Kenya Agricultural and Livestock Research Organization had this Act not been enacted.*

In this regard, the Board assumed the following pending proceedings and claims of the AFA-Tea directorate the commencement of the Tea Act, 2020, in accordance with section 77 of the Act: -

Notes to the Financial Statements (Continued)

32. Contingent Liabilities (Cont.....)

	2022-2023	2021-2022
	Kshs '000	Kshs '000
Contingent Liabilities		
1 NAIROBI JR MISC. APPLICATION NO E003 OF 2020 Kenya Tea Development Holdings Ltd Vs Cs Ministry of Agriculture, Livestock, Fisheries and Cooperatives, AFA And Others	5 million	5 million
2 MOMBASA PETITION NO 87 OF 2020 East African Tea Trade Association Vs the Cabinet Secretary MOALFC, AFA And the Hon. Attorney General	2.5 million	2.5 million
3 NAIROBI PETITION NO E243 OF 2020 Kenya Tea Development Agency Holdings Limited KTDA Management Services Limited Vs the Cabinet Secretary MOALFC. AFA And the Hon. Attorney General.	3.5 million	3.5 million
4 NAIROBI ELRC NO E027 OF 2020 Wilson Mathiu Muthaura Vs the Cabinet Secretary MOALFC, AFA And the Hon. Attorney General.	2.1million	2.1million
5 CMCC NO 451 OF 2008 Peter N. Njoroge Vs Tea Board of Kenya.	Attorney General	Attorney General
6 NAIROBI HIGH COURT JR MISC APPL NO 768 OF 2008 R Vs Tea Board Of Kenya Ministry Of Agriculture (Exparte) Kambaa Tea Factory And 47 Others	3 million	3 million
7 MILIMANI HCCC NO 198 OF 2010 City Amsco Ltd Vs Tea Board of Kenya And East African Tea Trade Association.	Attorney General	Attorney General
8 KERICHO CONSTITUTIONAL PETITION NO.18 OF 2014 Governor of Kericho county vs Kenya Tea development agency, AFFA & 27 others	6.1 million	6.1 million
9 MERU JUDICIAL REVIEW NO 2 OF 2018 Njeru Industries LTD vs AFA	-	350,000
10 NAIROBI E016OF 2021 Kenya Tea Growers Association versus AG, CS and AFA	Attorney General	Attorney General
11 EMBU HIGH COURT PETITION NO. 2 OF 2021 Mungania Tea Factory Vs Attorney General	3.5 million	3.5 million

The outcome of the above court cases therefore may result in legal costs or damages awarded against or for the Board.

33. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. In the Financial Years 2020-21 and 2021-22, TBK did not make any surplus to remit to the National Treasury in accordance with Section 219 (2) of the Public Financial Management Act regulations.

Surplus Remission

Description	2022-2023 Kshs "000"	2021-2022 Kshs "000"
Surplus for the period	(62,003)	(130,367)
Less: Allowable deductions by NT	-	-
90% computation (Included in Statement of Financial performance)	-	-
Surplus Remission Payable	-	-
Payable at the beginning of the year	-	-
Paid during the year	-	-
Payable at end of the year	-	-

There was no surplus to report during the period under review

34. Events after the Reporting Period

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

35. Ultimate and Holding Entity

TBK is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Agriculture, Livestock, Fisheries and cooperatives. Its ultimate parent is the Government of Kenya.

36. Currency

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

20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

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

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe for the issue to be resolved
FY 2021-22	<u>Non-Disclosure of Rental Income</u> TBK did not disclose any rental income for the period 2021/22 yet comparative figures for FY 2020/2021 reflected income of Kshs. 559,000. TBK did not explain why income which was reported in FY 2020/2021 under the Tea Directorate (while under AFA) was not reflected by Tea Board of Kenya in its financial statements for FY 2021/22 yet it had taken over the all functions of the former Directorate.	The rental income reported on the FY 2020/2021 was when Tea Directorate was under AFA which has a lease agreement with the lessee (James Finlay Ltd). TBK has since agreed with AFA that the rental income received from James Finlay for the period 2021/22 will be paid to TBK in accordance with Section 76 of the Tea Act, 2020. Consequently, the financial statements for the FY 2021-22 have been restated to reflect the income	Resolved	September 2023
FY 2021-22	<u>Non-Remittance of Pension</u> The financial statements reflected an amount of Kshs. 27,931,000 in respect of employee benefit obligation for	Since transitioning from AFA, TBK immediately commenced the process of establishing an employee pension scheme for its staff. In accordance with	Substantially resolved	October 2023

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	contributory benefit scheme for all full-time employees in accordance with AFA terms and service of employment which had not been remitted to the relevant authorities.	the RBA Act, approval by both the National Treasury and the Board has been obtained and an administrator engaged. A Board of Trustees has already been appointed and process of registering with RBA is poised to be complete by March 2024. Once registered, the funds will be transferred to the pension scheme.		
FY 2021-22	Incorrectly constituted Board At the time of audit, the Board was operating without 3 No. directors (a nominee by the Council of Governors, a representative from large scale tea growers and a representative of tea traders).	1. Delay in appointing 2 directors representing largescale tea growers and tea traders was occasioned by a court case stopping nomination of their representatives in the Board. However, the matter has now been resolved through meetings held on 23/01/2023 and the parties are in the process addressing the matters out of court which will pave way for withdrawal of the court cases after which elections will be held. 2. The Ministry of Agriculture has written severally to the Council of Governors requesting them to nominate their representative to the Board which once done, COG will be represented.	Not resolved	June 2024
	<u>Appointment of the Acting Chief Executive Officer</u>	The CEO was appointed on acting capacity in July 2021 awaiting	Resolved	November 2023

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The CEO was serving in an acting capacity since July 2021 and receiving acting allowances beyond six (6) months.

In addition, the payment of acting allowances to the CEO for the year under audit was irregular.

Irregular Payment of Special Duty allowance

Review of the payroll and other staff records revealed that one employee has continued to receive special duty allowance since 1 April 2021, hence earning special duty allowance for more than the requisite period of one year in contravention of the regulations.

recruitment of a substantive CEO by the Board. Advertisement for the position was undertaken and shortlisting of the candidates and interviews were undertaken within the FY 2022-23 but appointment was done in November 2023

The officer was given special duties to act as Director, Director Capacity Building, Research and Innovation following the appointment of Mr. Ogola as the Ag. CEO of Warehouse Receipt System Council (WRSC) awaiting appointment of a substantive holder. However, Mr. Ogola has since retired from the Board in April 2023, and recruitment of a substantive holder is underway.

Resolved

April 2023

Signed 

Chief Executive Officer

Date.. 21/02/2024

Appendix II: Projects implemented by TBK

In the financial year 2022-23, TBK did not have any projects funded by development partners and/ or the Government.

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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
MOALFC	13/08/2022	Recurrent	50,000,000	50,000,000	0	0	0	0	50,000,000
MOALFC	24/11/2022	Recurrent	50,000,000	50,000,000	0	0	0	0	50,000,000
MOALFC	22/02/2023	Recurrent	25,000,000	25,000,000	0	0	0	0	25,000,000
MOALFC	15/03/2023	Recurrent	25,000,000	25,000,000	0	0	0	0	25,000,000
MOALFC	31/03/2023	Recurrent	25,000,000	25,000,000	0	0	0	0	25,000,000
MOALFC	21/06/2023	Recurrent	50,000,000	50,000,000	0	0	0	0	50,000,000
MOALFC	03/05/2023	Recurrent	25,000,000	25,000,000	0	0	0	0	25,000,000
Total			250,000,000	250,000,000	0	0	0	0	250,000,000

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Appendix V- Inter-Entity Confirmation Letter

[Insert your Letterhead]

[N/A]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 20xx as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by *[Insert name of beneficiary Entity]* as at 30th June (Current FY)

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June (Current FY)			Total (D)=(A+B+C)	Amount Received by [beneficiary Entity] (KShs) as at 30 th June (Previous FY) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)			
N/A							
Total							

In confirm that the amounts shown above are correct as of the date indicated.

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Head of Accountants department of beneficiary Entity:

Name Sign Date

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Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
N/A									

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Appendix VII: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
N/A						