



Ernestea Limited

Annual Report 2019

Ernestea: AGM Opening Prayer

Our Dear heavenly Father,

We thank you for bringing us together today, to this AGM. .

We acknowledge that You have sustained and cared for us. You continue to give us life, breath and energy to carry out the work set before us. We praise You with this Psalm of David:

(Together)

Psalm 103:

¹ Praise the LORD, my soul; all my inmost being, praise his holy name.

² Praise the LORD, my soul, and forget not all his benefits—

³ who forgives all your sins and heals all your diseases,

⁴ who redeems your life from the pit and crowns you with love and compassion,

⁵ who satisfies your desires with good things so that your youth is renewed like the eagle's.

We thank You for Ernestea, and the vision that You have for this company. We invite You to be with us today and guide us through the power of Your Holy Spirit. We pray that You would give us continued clarity, direction and unity towards our goals.

In Proverbs 16:3 Your word says commit to the Lord whatever You do, and He will establish Your plans.

We commit this meeting into your hands and ask that You would help us accomplish that which we have planned in today's agenda, successfully. Fill us Lord with inspiration and joy. In addition, we ask for wisdom as we deliberate on the choices and action plans needed to establish Ernestea's vision.

We praise and thank You for Your ever present faithfulness and goodness.

In Jesus name we pray,

Amen.

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With over 30 years of experience in planting and growing tea in Kericho County, Ernestea Limited's core investors intend to progress the value chain from primary production to value addition and carry out the business of producing, packaging, marketing and exporting tea products. Building on the new Cottage Tea Factory policy from the Tea Directorate, Ernestea is in the final stages of establishing a Cottage Tea Factory in Kericho County.

Our Vision

Production of delicious, health enhancing, sustainable specialty teas for a global market.

Our Mission

To continuously refine our processes and capacity to produce superior tea from the Kaptebeswet Farm, and serve our customers with high quality, environmentally sustainable specialty teas.

Our Focus

Producing high quality specialty teas for the discerning tea drinker.

Our History

48 years ago, while on holiday from his teaching duties, Kenya's future Ambassador to Russia, Ernest Lang'at and his wife Ludiah took their young daughters to the farm in Kaptabeswet village in Kericho County of Kenya. They taught the girls how to plant tea seedlings perpendicular from the slope, 1 meter apart.

This practice evolved into an annual tradition as year by year the farm grew from 1,000 bushels on a ¼ acre in 1961, to a 80-acre estate. The produce, together with tea leaves from neighboring tea gardens, was delivered to far off factories for processing in the traditional cut, tear and curl method.

Decades later, Ambassador Ernest, his nine daughters and their families, realized that customers could enjoy a superior taste and increased health benefits if the leaves were rolled instead of cut, if more organic fertilizer was produced and applied, and if innovation in the tea production process was carefully managed from start to finish. In 2017 Ernestea Ltd. was registered as a cottage tea factory processing 2,000 kilograms of fresh green leaf per day. The resultant product of specialty teas targets a discerning clientele demanding the highest quality teas.



The farm grew from **1,000 bushels** on a **¼ acre** in 1961, to an **80 acre** plantation.

Our Teas

The green leaf used to produce Ernestea Ltd. comes from the Ambassador's 80-acre garden in Kericho, Kenya. Production is overseen by the Ambassador's daughters and their spouses, supported by an experienced management team. The tea bushels are pesticide-free, nurtured and tended on the volcanic soils of the Great Rift Valley at an altitude 2,100 m above sea level.

In 2019, the Ernestea initiated a process for full organic certification of the Kaptabeswet and its adjacent farms by 2022. Ernestea closely monitors the plucking and rolling of teas under an experienced tea master, assuring adherence to strict hygiene protocols for a consistent, high quality range of specialty red, green, purple, yellow and white orthodox teas.

Ernestea production is categorized under the cottage industry in Kenya. Tea from the garden is picked daily with the potential to yield 3,000 kg of processed tea a week. Currently Ernestea can produce and send samples of hand rolled teas on request.



Tea from the garden is **picked daily** with the potential to yield **3,000 kg** of processed tea a week.

Chairman's Report 2019

Dear Shareholders,

It is with pleasure that we welcome you to our annual general meeting to present Ernestea Ltd.'s annual report and financial statements for the year that ended December 31, 2019. The audited accounts reflect the cumulative performance of the company from inception.

Shareholders

Shareholders of Ernestea Ltd have contributed (loaned the company) KES 29,584,084 to the end of 2019. It should be noted that the company was registered in 2012 as having one million shares of one shilling each but with just six thousand having been issued on incorporation. We have on legal advice and financial consideration not yet officially (in accord with The Companies Act) classified or capitalized the contributions into shares. Records of the amount loaned by each member have been audited and are reflected in note number five in the 2019 accounts. The Ernestea's CR12 reflects 6,000 shares of KES 1/= each at the moment the figure in the accounts. The SGM held on May 25, 2020 and other meetings will continue to inform the process of establish the shareholding structure of Ernestea Ltd, with the aim of encouraging members involvement, being fair and maximizing returns on investment.

Investments

The company has since inception invested in land, the factory building (The Work in Progress) and most important the license and regulatory authorities approvals to go into orthodox teas production. At the end of 2019, KES 33,783,347 had been invested in the company. The returns on investment have been negative or a losses for 2019, that is KES 397,339 reflecting that we are yet to get into our core business, but that our earning are coming from selling green leaf on the land held by the firm and interest from deposits made by the company during the year. During the last quarter of 2019 Ludiah and Ernest Langat our principal shareholders advanced the company a loan of KES 4,000,000/= that was designated towards buying machinery for the factory. Ernestea is grateful for this support.



6,000 shares
of KES 1/= each
at the moment
the figure in the
accounts.



KES 33,783,347
amount invested
in the company at
the end of 2019.



T&I Global of India was chosen as the preferred supplier.



Ernestea has sought and identified **willing buyers**.



Challenges faced during the reporting period are primarily **associated with a startup**.

Machinery

At the last AGM we had indicated that consideration was being given to ordering machinery from either China or India. In 2019 we received another offer from Sri Lanka. All three have been considered at the time of making this report and we have settled on making the order from T&I Global of India. T&I are well represented and known in the Kenyan Tea Industry. We have met with representatives of T&I, had length back and forth communications with them to arrive at this stage. They are offering a complete package that is the machinery, the installation and the training of staff operators plus a backup generator. By our next AGM ceterus paribus machinery would have been installed and the factory in operation.

Marketing

Business is mostly driven by market demand. Ernestea has sought and identified buyers willing to express interest in buying more than the current target production of 120,000 kg of made tea per year, the offer prices range from USD 3.5 per kilogram to USD 6 per kilogram. At these prices we have projections of being profitable but we also know that prices will be finally determined by the quality of made tea that comes from our factory. The prices given above are on the lower end of the scale.

Challenges & Appreciation

The challenges faced during the reporting period are primarily associated with a startup. We have been slowed down by limited resources of funds and man power. We will be seeking external funding to acquire the machinery and possibly the initial working capital needed to run the factory. The company will also be staffing with the aim of getting a professional team to run the business with supervision from the directors.

Our appreciation goes out to the shareholders that have not only contributed their money, professional services and time to move Ernestea Ltd to the take-off point. Special mention should be made of Davis & Betty who have generously shared their experience from the tea business, Kim for his continued work in managing affairs on the factory site, Rosemary for calling us to order with frequent meetings, Judith for the work/developing a marketing strategy and Bill for reviewing the financials now and then.

May God bless us and Ernestea.

Ambassador Ernest Lang'at

The Chairman

Kaptebeswet Tea Farm



Factory Equipment



Withering Machine



Matrix Fermenting Machine



Rollomax Rolling Table - 30"



Rollomax Rolling Table - 36"



Conquest Combination Dryer



Myddleton Stalk Extractor



Roll Breaking Google Sifter



Winnower



Rotary Sifter



0.5 Tph Wood Fired Seam Boiler

Summary list

Tea Processing Machine Spares	
1	Pre-fabricated Withering Trough 90'x6' complete with Fans and Radiator
2	Rolling tables for 36" (1st roll) with 15 HP motor
3	Rolling tables for 30" (2nd roll & 3rd)
4	Operating console for the Rolling Tables
5	Roll breaking Googie/ Sifter
6	Fermenting machine No.1
7	Fermenting machine No.2
8	Conquest Combination Dryer with Radiator 100 kg
9	Myddleton Stalk Extractor
10	Rotary Sifter- 3 Deck
11	0.5 TPH
12	Winnower
13	Rolling Table 1 Feed conveyor- C1
14	2nd Rolling Table Feed conveyor - C6
15	Rolling Table 3 Feed conveyor - C10
16	Middle discharge to Dryer Feed conveyor 2- C14
17	Dryer Feed Conveyor - C15
18	MV.Panel and Electrical Cable, cable trays, etc from MV Panel to Machine Motors including installation
19	100 KVA Generator including installation
20	steam accessories including installation
21	Installation and commissioning of machinery including labour

A close-up photograph of a tea plant branch with several bright green, pointed leaves against a soft-focus background of more tea bushes.

Financial Statements

For the year ended 31st December, 2019

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Ernestea: AGM Closing Prayer

Our Dear Heavenly Father;

We thank You for being with us today at this AGM and for enabling us to have a productive meeting. You started with us and now we ask that You would end with us.

We commit all that has been discussed into Your hands and ask that You would help it to bear fruit to the glory and honor of Your name.

We continue to pray for our country and the world Lord and recognize that without Your intervention and mercy, we are unable to be productive in this season of the pandemic. Lord we pray that You would protect us all and bring healing to those who are sick, and that we would experience Your grace in these difficult times. Forgive us for all the wrongs we have thought, said or done and help us to live lives that please You.

We pray that as we depart, You would bless us and keep us safe and healthy until we meet again.

(Let us pray the blessing Together from Numbers 6:24-26)

²⁴ “The LORD bless you and keep you;

²⁵ the LORD make his face shine on you and be gracious to you;

²⁶ the LORD turn his face toward you and give you peace.”

In Jesus name we pray,

Amen.

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Kericho

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