REPUBLIC OF KENYA

OAG

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NZOIA SUGAR COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2021

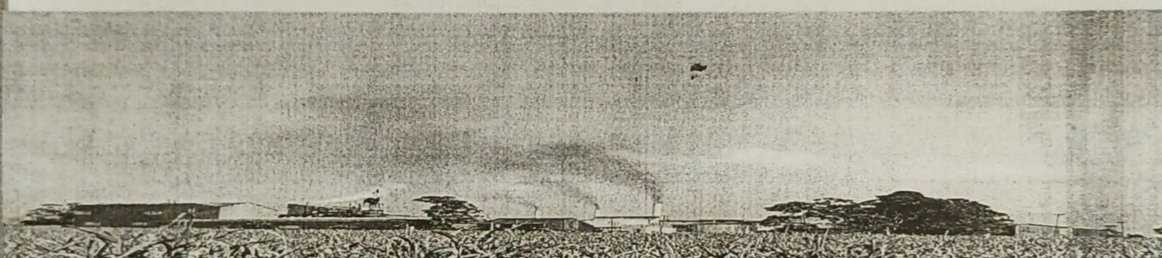
nzoia sugar Company Ltd

Sweetening Kenya
since 1978

HEAD OFFICE
P.O.BOX 285 - 50200,
BUNGOMA

TEL:- 055 - 30500
Fax :- 055 - 30001
E-mail: md@nzoiasugar.com

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021



Sweetening Kenya Since 1978

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

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KEY COMPANY INFORMATION

WHO WE ARE

Nzoia Sugar Company Limited (NSC) was established in 1975 and started operations in 1978. It was formed under the Companies Act Cap 486 of the Laws of Kenya with Memorandum and Articles of Association and issued certificate of incorporation No.C13734 on 1st August, 1975. The mandate of the company at the time of inception was to establish sugar cane plantations, manufacture sugar and create employment. The Shareholding of the Company includes Kenya Government with 97.94 % shares, Fives Cail with 1.13 % shares and Industrial Development Bank (IDB) holding the remaining 0.93 % shares. The company is a major player in the Kenyan Sugar sector. It is located in Bungoma County and serves farmers in Bungoma and Kakamega Counties. The raw material base comprises a Nucleus Estate spanning 3,600ha and an out grower scheme of 26,000 ha made up of 77, 000 small holder farmers.

OUR VISION

To be globally competitive in Production and Marketing of sugar and other products

OUR MISSION

To efficiently, innovatively and sustainably produce and market sugar and other products in a clean and safe environment to the satisfaction of all stakeholders

OUR MANDATE

The Company's core mandate includes the following;

a) To manufacture and sell sugar and it's co-products from sugarcane.
b) To facilitate establishment and maintenance of sugarcane plantations in both the nucleus estate and Out growers scheme.

CORE VALUES

The Company core values are:

(a) ***Customer Care-*** The Company shall remain committed to processes and procedures that emphasize the assessment of needs, the design and delivery of programmes, monitoring and evaluation to the satisfaction of Customers.
(b) ***Integrity-*** The Company, Staff and its agencies will uphold integrity, honesty, transparency, accountability and commit to processes that facilitate regular and timely feedback on progress and performance.
(c) ***Professionalism-*** The Company and its Staff will exhibit the highest standards of professionalism in their engagement with clients and Customers. Company staff will at all-times exercise commitment and dedication to their work, remain respective and timely in delivery of services.
(d) ***Productive and Results-oriented-*** Company staff shall at all times be productive and be focused on achieving the set targets and results. Teamwork shall be the driving force for collective implementation of plans and programmes across departments.
(e) ***Creativity and Innovation-*** The Company will endeavour to harness the creative talents of its staff and promote R & D while developing and providing innovative solutions to challenges faced in the Sugar Industry.
(f) ***Corporate Social Responsibility-*** The Company will be a responsible corporate entity that addresses relevant needs of the community in which it operates.

Principal Activities

The principal activities of the company are:

(i) the production and sale of sugar and its co-products.

KEY COMPANY INFORMATION .... *continued*

(ii) facilitate establishment and maintenance of sugarcane plantations in both the nucleus estate and Out-growers scheme.

Key Management

Nzoia Sugar Company Limited day to day management is under the following key organs:

- Board of Directors
- CEO; and
- Senior Management Team

The day to day operations are overseen by a CEO who is supported by 11 senior managers. The company has a board of directors that provide policy and oversight of its operations on behalf of the shareholders. However the life of the board expired on 16th July 2020 vide gazette number 5433 dated 22nd July2020.

Fiduciary Management
The key management personnel who held office during the financial year ended 30th June 2021 and who had a direct fiduciary responsibility were:

NO	DESIGNATION	NAME
1	Chief Executive Officer	Dr.Chrispine Ogutu Omondi
2	Chief Executive Officer- served till 10th June 2021	CPA Cde.Wanjala Makokha
3	Company Secretary	Ms. Ritah Mukhongo
4	Agriculture Services Manager	Mr. Ignatius Wafula
5	Factory Manager	Mr. Benjamin Mbaya
6	Internal Audit Manager	CPA Lucas Otene
7	Finance Manager	CPA Ezron Kotut
8	Marketing & Sales Manager	Ms. Edwina Omollo
9	Procurement Manager	Ms. Caroline Namunane
10	Human Resource Manager	Mr. Brian Keya
11	ICT Manager	Mr. Suleiman S Wanekeya
12	Agriculture Manager	Mr. Francis Oringe
13	Public Relations Officer	Ms. Florence Mutinda

KEY COMPANY INFORMATION .... *continued*

CORPORATE INFORMATION

DIRECTORS	Hon.Joash Wamang'oli	- Chairman - Served till 16th July 2020
	Dr.Chrispine Ogutu Omondi	- Managing Director-Appointed on 10th June 2021
	CPA Cde Wanjala MAKOKHA	- Managing Director – Served till 10th June 2021
	Karen Kandie	- IDB Capital-Appointed by virtue of office
	Richard Njoba	- FCB - Appointed by virtue of office
	Kasembeli Nasiuma	- Alt to PS The National Treasury & Planning
	Peter Owoko	- Alt to PS Ministry of Agriculture Livestock & Fisheries
	Hillary Changwony	- Served till 16th July 2020
	Tom Ipomai	- Served till 16th July 2020
	Stephen Kisaka	- Served till 16th July 2020
	Mary Makokha	- Served till 16th July 2020
	Patrick Musumba	- Served till 16th July 2020
	Anne Omodho	- Served till 16th July 2020

COMPANY SECRETARY

- Ritah Mukhongo
Certified Public Secretary (Kenya)
P. O Box 285-00100
Bungoma

REGISTERED OFFICE

Off Webuye – Malaba Road
5 kms from Bukembe Junction
P O Box 285-50200
Bungoma, Kenya

CONTACTS

Telephone +254727477777 / +254727483483
Email:md@nzoiasugar.com
Website: www.nzoiasugar.com

PRINCIPAL AUDITORS

The Auditor General
P O Box 30084 - 00100
Nairobi

BANKERS

Diamond Trust Bank
Bungoma Branch
P O Box 726-50200
Bungoma

The Co-operative Bank of Kenya Limited
Bungoma Branch
P O Box 1964 – 50200
Bungoma

Standard Chartered Bank (K) Ltd
Eldoret Branch
P O Box 30100
Eldoret

Kenya Commercial Bank Limited
Bungoma Branch
P O Box 380 – 50200
Bungoma

National Bank of Kenya Limited
Bungoma Branch
P O Box 25 – 50200
Bungoma

ADVOCATES

Masinde & Company Advocates
Email:masindeandcoadvocates@gmail.com

Manyonge Wanyama &Associates Advocates
Email:manyonge@gmail.com

Byran Khaemba ,Kamau Kamau Co.& Advocates
P O Box 1300-00200
Nairobi

Lumatete Muchai & Co.Advocates
P.O Box 90565-80100
Mombasa

KEY COMPANY INFORMATION ……. *continued*

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Kenya Commercial Bank
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Bungoma Branch
P O Box 380 – 50200
Bungoma

National Bank of Kenya
Limited
Bungoma Branch
P O Box 25 – 50200
Bungoma

ADVOCATES

Masinde & Company Advocates
Email:masindeandcoadvocates@gmail.com

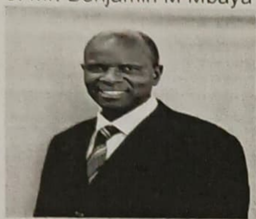
Manyonge Wanyama &Associates
Advocates
Email:manyonge@gmail.com

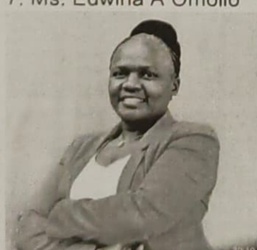
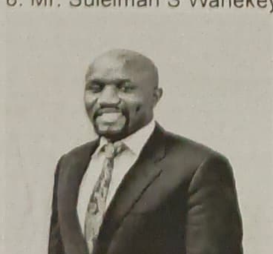
Byran Khaemba ,Kamau Kamau Co.&
Advocates
P O Box 1300-00200
Nairobi

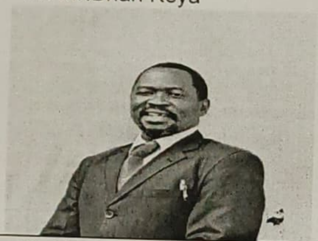
Lumatete Muchai & Co.Advocates
P.O Box 90565-80100
Mombasa

MANAGEMENT TEAM

1. Dr. Chrispine Ogutu Omondi 	Dr. Chrispine Omondi is the acting Managing Director for Nzoia Sugar Company. He holds a PhD degree in Plant Breeding from the University of Nairobi, MSc degree in Crop Science and BSc degree in Agriculture from the same University. Dr Omondi has 31 years of experience in agricultural research. Prior to joining Nzoia Sugar Company he served as Institute Director responsible for Sugar Research (2 years) and Industrial Crops Research (4 years) at the Kenya Agricultural & Livestock Research Organization (KALRO). He also served as the Managing Director/CEO at the former Kenya Sugar Research Foundation (KESREF) and as a Biotechnology Specialist at United States Agency for International Development in Kenya (USAID-Kenya). Prior to these appointments, he served as Deputy Director of Research and also as Head of Plant Breeding Department at the former Coffee Research Foundation (CRF). Dr Omondi has trained in Strategic Leadership, Corporate Governance, Change Management, Project Design and Management, Financial and Contractual Procedures of the European Development Fund (EDF) and Programming Foreign Assistance for USAID projects among others. He was awarded a Certificate of Excellence in Public Service Innovation in the 2011 Edition by the Government of Kenya.
2. CPA.Cde Wanjala MAKOKHA 	CPA Cde Wanjala MAKOKHA holds a Masters in Business Administration and Bachelors of Commerce both from University of Nairobi, Certified Public Accountant (K), member of ICPAK and an ISO Certified Auditor. He has over 15 years' experience in professional training, Accountancy, Risk, strategy, management and finance. Served as the Managing Director till 10th June 2021
3. Mr. Ignatius B Wafula 	Mr. Ignatius Wafula is in charge of Agriculture Services Department. He holds masters in Project Planning in Production Engineering. He is a registered member of graduate engineers. He has 16 years experience.

4. Ms.Ritah Mukhongo 	Ms. Ritah Mukhongo is the Acting Company Secretary. She holds Bachelor of Law Degree LLB, post graduate Diploma in Law and currently undertaking master's programme MBA in Strategic Management. She is an advocate of the High Court of Kenya, a certified professional mediator, a commissioner for oaths and notary public. She has over 15 years' experience in Legal matters. She took over on 15th January, 2018.
5. Mr. Benjamin M Mbaya 	Mr. Benjamin Mbaya is the Acting Factory Manager. He has Bachelors in Chemistry from University of Nairobi and Masters in Business Administration from Masinde Muliro University. He is also a member of Chemical Society of Kenya and has 30 years of experience in the sugar Industry.

6. CPA. Ezron K Kotut 	CPA Ezron Kotut is the Finance manager. He holds Masters of Business Administration. He is a Certified Public Accountant (K) and a member of ICPAK. He has over 15 years experience in the private sector and 9 years experience in sugar industry. He is currently pursuing Degree in Management and Leadership from Management University of Africa.
7. Ms. Edwina A Omollo 	Ms. Edwina Omollo is the head of Sales and Marketing. She holds a Bachelor Degree in Business Administration. She holds various certificates in sales and marketing. She has over 13 years experience in sales and marketing.
8. Mr. Suleiman S Wanekeya 	Mr. Suleiman Wanekeya is currently Acting. Information Communication & Technology Manager. He is pursuing Masters degree in strategic Management, Holds Bsc- Information Technology, Diploma Project management, Microsoft certified professional. He has 10 years working experience in Information Technology.

9. Mr.Francis Oringe 	Mr. Francis Oringe is the Acting Agriculture Manager. He holds a master degree in Agriculture from the University of Nairobi. He is a member of the Weed Science Society for Eastern Africa and the Kenya Society of Sugarcane Technologists. He has many years experience in the field of agriculture. He is also a certified ISO auditor in Quality management.
10. Ms. Florence Mutinda 	Ms. Florence Mutinda is the Acting Public Relations Manager. She holds a Bachelor of Arts Degree in mass media and communications. She is a member of the Public Relations Society of Kenya (PRSK) and has been serving in the Partnership and fundraising committee of the society since 2017. She has over 11 years experience.
11. Mr.Brian Keya 	Mr. Brian Keya is the Acting. Human Resource Manager. He holds a Bachelor's degree in Education from the Moi University Eldoret, a Post Graduate Diploma in Management from the Mediterranean Institute of Management in Cyprus and is a Trained Trainer. He is also pursuing a Master in Human Resource Management from the OUT/IHRM institute. He has over 20 years experience in HR management.
12. Ms.Caroline Namunane 	Ms.Caroline Namunane is the Procurement Manager with over 10 years experience gained across different sectors. She holds a Master's Degree in Procurement and Logistics, a Degree in Purchasing and Supplies and a Graduate Diploma in CIPS level 5. She is a full member of the Kenya Institute of Supplies Management (KISM) and an Associate Member of the Chartered Institute of Purchasing and Supplies-UK(CIPS).
13 CPA Lucas A Otene 	CPA Lucas Alwala Otene is the head of Internal Audit, He holds a master of Business Administration and Bachelors degree in Business Administrations. He is a Certified Public Accountant (K) and a member of ICPAK. He has over 15 years experience.

MANAGING DIRECTOR'S REPORT

On behalf of management I present to you the Management Report on the business and operations of the Company and financial results for the year ended 30th June, 2021. TC:TS in the year under review was 15.41(16.99-last financial year). The factory milled total of 440,266 (193,288 last financial year). Turnover volumes increased from 9,266 tons previous financial year to 30,820 tons. Prices of sugar averaged 78,057per ton against a price of 73,558 per ton in previous financial year. Prices still remained a serious challenge during the year due to presence of cheap imports in the market.

However, Management remains focused on putting in place stringent measures to ensure that the Company turns around to profitability.

INTERNATIONAL SUGAR MARKETS

Global production is forecast to be up by 6 million to 186 million as higher production in the EU, India, and Thailand will have more than offset the decline in Brazil. Consumption is forecast to rise to a new record due to growth in markets such as China and India. Exports are forecast up as the increase from Thailand along with strong exports from India will more than offset lower exports from Brazil. Stocks are forecast lower as stocks in Thailand are drawn down in favor of higher exports. Note: the marketing year for Thailand starts in December, whereas the marketing year for Brazil starts in April.

2021/22 Sugar Overview

U.S. production is forecast up marginally to a record 8.4 million, as gains from beet sugar more than offset the drop in cane sugar production in Louisiana. Imports are down 16 percent to 2.4 million based on projected quota programs and the calculation of U.S. Needs as defined in the amended Suspension Agreements. Consumption is forecast unchanged while stocks are lowered with the drop in imports.

Australia production is forecast up 65,000 to 4.4 million due to higher yields. Consumption and exports are up with the rise in production, while ending stocks are projected lower. Australia exports around three-quarters of its sugar production with most exports destined for Indonesia, Japan, and South Korea.

Brazil production is forecast to drop by 5percent to 39.9 million due to a reduced volume of sugarcane for crushing. Unfavorably dry weather and incidence of fire outbreak in the fields has lowered volumes. In addition, steady grain prices have encouraged the shift of marginal sugarcane areas to soybeans and corn. The sugar/ethanol production mix is expected to be similar to the previous season at 46.5 percent sugar and 53.5 percent ethanol. Consumption is estimated up slightly. Stocks are forecast to more than double while exports decline from last year's record but still represent the second-highest export level

China production is up marginally to 10.6 million as rising cane sugar production is expected to offset lower beet sugar production. With rebounding consumption, imports are forecast to rise slightly. Stocks are down for the seventh consecutive year.

Egypt production is up 75,000 to 2.9 million on higher beet and cane area. Consumption is up with population growth and expansion of the confectionary food products sector. Imports are expected to remain unchanged due to the higher production, while stocks are lower with the increased demand.

European Union production is forecast at 7 percent higher to 15.8 million as additional member states such as France and Germany are provided exemptions on the neonicotinoid ban. Sugar beet seeds will be allowed to be coated with a neonicotinoid to help protect from beet yellow virus. In 2018, the European Commission banned the use of three neonicotenoids (clothianidin, imidacloprid, thiamethoxam), except for use in greenhouses, because of their harmful effect on wild bees and honeybees. These neonic pesticides are important for sugar beet production, since they used to be applied to seed to prevent aphid infestations in sugar beets. Consumption is up slightly while exports and imports are unchanged. With higher supplies, stocks are also forecast up.

Source: *https:www.fas.usda.gov/data/sugar-world-markets-and-trade*

Dividends
Due to the negative performance in the year under review the Management do not recommend the payment of dividends.

LOCAL SUGAR MARKET

Sugar Production in January –December 2020, a total of 603,788 metric tons of sugar was produced compared to 440,935 metric tons in 2019. This signifies an improvement of 37% in local sugar production. The sugar cane availability survey conducted by AFA in December 2020 established that there will be enough cane to produce at least 660,000 metric tons of sugar this year. True to this projection, the first two months of 2021 have recorded production of 119,552 Metric tons of sugar indicating the capability to achieve this forecast.

In 2020, total area harvested was 89,803 hectares compared to 71,935 hectares in the period of January to December 2019, signifying a 26% increase. This increase was attributed to the fact that most private mills were operating almost at their optimum capacities due to improved availability of mature cane for harvesting.

The total cane deliveries in the period of January to December 2020 were 6,799,923 tons against 4,605,102 tons recorded during the same period in 2019. This represents a significant increase of 48 per cent. The increase is partially attributed to favorable weather conditions and optimal operations of the private mills. Our sugar industry reported average cane yields of 61.64 tons per hectare in 2020 compared to 51.26 tons per hectare in 2019 representing a 20% increase.

a) Sugar Cane Prices

An interim Sugarcane Pricing Committee constituted by the Ministry of griculture has approved an increase in the price of cane from the current Sh3, 700 per tonne to Sh4, 040 per tonne effective April 1, 2021 in line with the industry cane pricing formula. The sugarcane prices to farmers had stagnated at Sh3, 700 since the last review by a similar committee in 2018. This will guarantee farmers better returns, ensure price stability and encourage investment in productivity.

After decades of poor performance, Kenya's sugar industry is set for better times ahead following recent State interventions to stabilize cane prices, curbing illicit sugar imports and improved productivity, with the over 300,000 small-scale sugar farmers set to reap the benefits.

b) Sugar consumption and Import decline

The country has not reached self-sufficiency in sugar production. For this reason, the country will this year be filling the deficit by importing sugar, especially from the Common Market for Eastern and Southern Africa (COMESA) region.
To bridge the gap, in January to December 2020, a total of 442,393 tons of sugar was imported which includes 140,123 metric tons of industrial sugar. COMESA countries supplied 343,08[illegible] tons, which represents 78 per cent of the total imports in this period. All brown/mill white sugar originated from the COMESA region while the balance (22 per cent) was imported under duty remission scheme from the rest of the world.
With an anticipated production of 660,000 tons and a consumption of 870,163, our annual sugar deficit for the year 2021 stands at 210,163 tons of mill white and brown sugar which the country shall import to bridge the gap. This figure represents a drop in importation by 40,000 metric tons from 2020 projected deficit of 250,000 metric tons.

Source: *Kenya Sugar Board Sugar Newsletter* applied to seed to prevent aphid infestations in sugar beets. Consumption is up slightly while exports and imports are unchanged. With higher supplies, stocks are also forecast up.

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Source: *Kenya Sugar Board Sugar Newsletter*

***May 2021* Kenya Economic Outlook**

The growth outlook is positive. The economy is projected to grow by 5.0% in 2021 and 5.9% in 2022. The rebound assumes that economic activity will normalize due to a full reopening of the economy, the Economic Recovery Strategy being successfully implemented, and Kenya capitalizing on an expected improvement in external liquidity and benefiting from initiatives to meet its external financing needs. The external initiatives could include debt refinancing, restructuring and debt service relief, and additional concessional loans.

Inflation is projected to remain within the Central Bank of Kenya's target range of 2.5% to 7.5%, and fiscal and current account deficits are forecast to narrow as a result of improved revenue collection and exports. Downside risks to the outlook could emanate from delays in the full reopening of the economy, failure to secure external financing to execute the budget, a slowdown in global growth, and disruptive social conditions during the run-up to the 2022 elections.

Public debt surged to 72% of GDP in 2020 from 61% in 2019, driven mainly by public investment in infrastructure, debt management–related challenges, and the COVID–19 crisis. Kenya is now in high risk of debt distress as determined by the International Monetary Fund. Addressing the emerging fiscal and debt vulnerability risks would require growth friendly reforms, soliciting external financial assistance, concessional credit, and debt refinancing and restructuring. The growth–friendly reforms could entail revenue-related steps to improve tax compliance, widening the tax net by reviewing the list of tax-exempt and zero-rated items, formalizing the informal sector, ensuring that public expenditures reach their intended targets, and deepening the domestic financial market to support private and public sector credit growth.

***Source:** Kenya Association of Manufacturers Economic Update Newsletter May-June 2021*

FINANCIAL PERFORMANCE

Total turnover for the period under review was Kes.2.5 Billion net of taxes (2019/20- Kes.723 Million). The sales were below budget of Kes.4.9 Billion due to low production volumes occasioned by frequent factory breakdowns caused by non-maintenance of core factory areas and shortage of raw materials. Prices of sugar averaged Kes.78,057 net of taxes per ton (2019/20- Kes.73,558).The company made negative earnings before tax and interest of Kes.2.1 Billion (2019/20-negative Kes.2.6 Billion) against budgeted profit before tax and interest of Kes.699 Million.

Achievements for the year ended 30th June, 2021 are as follows:

- The company milled 440,266 of cane (Q4 last financial year 137,162) against a budget of 600,000 and Bagged 28,474 of sugar (Q4 last financial year 9,266) against a budget of 54,545 .
- Car tracking system was installed to enable the company manage all fleet, optimize processes and improved the efficiency of our business.
- Management has planned for procurement of inter-carrier drag chains, baggase carrier gearbox, radiator and molasses pumps, mills rollers, boiler tubes, injection pumps in progress.

Challenges for the period under review were as follows:

- Floodihg of cheap sugar on the market resulting in decline of sugar prices thus inadequate cash flows affecting smooth running of company operations.
- Cash flow constraints delayed acquisition of fertilizers in the Nucleus Estate to improve on cane yields that are below target of 45 TCH.
- The increase of sugar cane price from Kes. 3,700.00 to Kes. 4.040.00 from Sugar directorate whereas the sugar prices remain low has caused prevailing cane prices to contribute to high cost of production.
- Pol % cane below target due to milling young cane and various company related stops which led to stale cane.
- Frequent factory stoppages due to non-maintenance for over 6 years.
- TC:TS ratio has remained a big challenge by registering 15.41,(16.99 last financial year 2019/2020) against a budget of 11.04.

WAY FORWARD

The company plans to counter the various challenges as follows: -

a) **Short term measures**

- Pursuing refunds from the Government (201 Million) and Agricultural and Fisheries Authority Loan 300 Million (AFFA) to improve factory efficiencies, mud filters, mills, pumps and normal maintenance to be done on the run.
- Embrace natural attrition, restructuring and rationalization on staff exits.
- Expand area under cane with fast maturing varieties both in the Nucleus Estate and Outgrowers region.
- Pay farmers promptly and encourage them to embrace cane farming as a business through our extension services on the latest technology in cane development activities for better yields.
- Embrace good crop husbandry and procure fertilizers and herbicides on time to improve on cane yields.

b) Long term Measures

- Improve on brand visibility and distribution channels that will improve on revenues.
- Procure additional machinery for cane husbandry and cane haulage
- Factory Modernization.
- Pursue ISO 9000:2015 Certification.
- Revenue diversification to ethanol and co-generation.
- Cost optimization across the value chain to reduce on cost of production.

DR. CHRISPINE OGUTU OMONDI

CEO/MANAGING DIRECTOR

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure by which Companies are directed, controlled and held accountable in order to achieve long term value to shareholders taking cognizance of the interest of other stakeholders.

The Board of Directors of Nzoia Sugar Company Limited (hereinafter Nzoia Sugar Company Limited) is responsible for the governance of the company and is accountable to shareholders and stakeholders in ensuring that the Company complies with the laws and highest standards of business ethics and corporate governance. Accordingly, the Board attaches high importance to generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board Charter

This Board Charter was reviewed by the 157th Special Board of Directors meeting held on 5th June 2020. The Directors resolved to subscribe to this Charter.

Appointment of Board Members

The relevant appointing authority shall select and appoint Board members by name and by notice in the Kenya Gazette and which maybe renewable after three years or for such shorter period as may be specified in the notice.

Cessation from membership of the Board

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

II. Any removal of a Board member under (I) above shall be through formal revocation.

III. A director whose membership has ceased in accordance with para. I. (c) and (e) is not eligible for appointment to any Board thereafter.

IV. The Company Secretary will ensure that a record of the appointment letter, gazette notice and written acceptance by the Board member is kept in the personal file of the Board member.

Board of Directors

The role and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined. The Board comprises of eleven (11) Directors nine (9) of whom are non-executive directors including the Chairman. Alternate Directors for the parent ministry and National Treasury also sit in the Board. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues.

In line with the provisions of Mwongozo code of conduct, the Board of Directors strived to ensure that the Company complies with the provisions of the constitution and all applicable laws, regulations, codes and applicable standards. The Board has put in place internal procedures and monitoring systems to

CORPORATE GOVERNANCE STATEMENT......Continued

promote compliance with strategic objectives of the Company and submit compliance reports on all statutory obligations to the respective Government Departments/Agencies within the specified timelines.

In further compliance with provisions of Mwongozo code of conduct, the Board did establish the requisite Board Committees chaired by members with requisite qualifications and experience (for such committees) so as to ensure that the overall strategic objectives of the Company are achieved.

Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Company and assumes responsibilities for effective control over the Company.

The Company, being a State Corporation, the Inspector General of State Corporations attends both Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

The Company Secretary attends all Committee and Board meetings. Her role is to advise the Board on all corporate governance matters as well as prevailing statutory requirements coupled with taking minutes at Board meetings/functions.

Nzoia Sugar Company is established by and derives its authority and accountability from the State Corporations Act Cap 446 and the Company's Act Cap 486 of 2015 of the laws of Kenya.

The Board of Directors, duly cognizant of its role in safeguarding shareholders' assets and ensuring a suitable return on investment, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability. The Board has a board charter that outlines the structure, duties, procedure and the standard of service delivery. The company is committed to maintaining the highest standards of integrity, professionalism and business ethics in all its operations. The company has a code of ethics which gives senior management the responsibility of ensuring legal and statutory compliance. In addition, the Code deals with situations relating to best practices as well as those situations that may give rise to conflict of interest in the conduct of business.

The Board holds meetings on a regular basis as per approved Board calendar. Special meetings are called when it is deemed necessary to do so in order to handle an urgent matter that cannot otherwise await a normal Board meeting.

Committees of the Board

The Board setup the following Board committees which meet under well defined terms of reference set by the Board. This was intended to facilitate efficient decision making of the Board in the discharge of its mandate and obligations.

Business & Development Committee

Mr. Stephen Kisaka	-	Director – Chair
CPA cde Wanjala MAKOKHA	-	Managing Director
Mr. Hillary Changwony	-	Director
Ms. Mary Makokha	-	Director
Ms. Anne Omodho	-	Director
Mr. Patrick Musumba	-	Director
Mr. Peter Owoko	-	Alt. to PS (Min. of Agric. Livestock, Irrigation & Fisheries)
Ms. Theodorah Gichana	-	Rep. Inspector of State Corporations

CORPORATE GOVERNANCE STATEMENT......Continued

Finance & Establishment Committee

Mr. Tom Ipomai	-	Director Chairman
CPA cde Wanjala MAKOKHA	-	Managing Director
Mr. Richard Njoba	-	Alt. Director (Fives Cail)
Mr. Patrick Musumba	-	Director
Mr. Hillary Changwony	-	Director
Ms. Mary Makokha	-	Director
Mr. Peter Owoko	-	Alt. to PS (Min. of Agric. Livestock Irrigation & Fisheries)
Mr. Kasembeli Nasiuma	-	Alt. to PS (The National Treasury & Planning)
Ms. Theodorah Gichana	-	Rep. Inspector of State Corporations

Audit Committee

Mrs Karen Kandie	-	IDB Capital (Chair)
CPA cde Wanjala MAKOKHA	-	Managing Director
Ms. Anne A. Omodho	-	Director
Mr. Patrick Musumba	-	Director
Ms. Theodorah Gichana	-	Rep. Inspector of State Corporation

Schedule of meetings held during the period

Main Board	Ordinary	1
BDC	Ordinary	1
F & E	Ordinary	1
Audit	Ordinary	1

Most of the board meetings scheduled for the year were not held since the life of the board expired on 16th July 2020 vide gazette notice number 5433 dated 22nd July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

AGRICULTURE DEPARTMENT

A summary of the achievements for the 12 months ending 30th June, 2021 were as follows:

Table 1: Agriculture Department key operational indicators

PERFORMANCE PARAMETERS	ACTUAL 12 MONTHS (2020/21)			TARGET 12 MONTHS (2020/21)			VARIANCE
	OG	N/E	TOTAL	OG	N/E	TOTAL	TOTAL
Area under cane (ha)	16,654	2,426	**19,080**	21,600	3,400	**25,000.00**	(5,920)
Cane Planting (ha)	566.21	368.78	**934.99**	2,000	500	**2,500**	(1,565.01)
Fertilizer DAP (bags)	76	2,606	**2,682**	2,000	10,000	**12,000**	(10,678)
UREA (bags)	0	1,322	**1,322**	2,000	10,000	**12,000**	(30,746)
Mean cane Yield (TCH)	63.95	45.32	**59.35**	65.00	65.00	**65.00**	(5.65)

1. **Area Under Cane**
   The total area under cane of 19,080 ha was below target due to reduced cane planting arising from inadequate funds for cane development both in the Nucleus Estate and out growers and abandonments by farmers.

2. **Cane Development**
   The negative variance in cane development was due to financial constraints that limited land preparation and seed cane transport.

3. **Fertilizers**
   Cash flow challenges impacted negatively on fertilizer supply both in Nucleus Estate and out growers.

4. **Cane yield**
   The overall targeted yield of 65.00 TCH was not achieved due to harvesting of cane that was not supplied with fertilizer.

5. **Way forward**
   - Timely procurement of fertilizers and herbicides.
   - Improved land preparation and inputs supply.
   - Prompt payment of farmers, casual, land preparation and cane maintenance contractors to reduce on cane poaching.
   - Intensify cane planting.
   - Allocate adequate resources for cane development and maintenance in the Nucleus Estate.

AGRICULTURAL SERVICES DEPARTMENT

During the financial year 2020/21, a total of **440,736.77** of milled cane was harvested and transported to the factory against target of **600,000**. The summary of other performance parameters is highlighted below:

Performance parameter		Target	Achievement	Variance (%)
Cane harvested and transported ()	Nucleus Estate	150,000.00	85,973.82	(26.54))
	Out Growers	450,000.00	354,762.95	
	TOTAL	**600,000.00**	**440,736.77**	
Staleness Index		≤1.90	2.94%	(54.74)
Extraneous Matter		≤1.64	3.21	(95.73)
NSC Fleet Utilization	Cane Transport ()	52,000.00	39,380.24	(24.27)
	Bagasse Transport	-	1,593	-
Average stack weight ()		4.5-5.5	4.90	+2
Cane cutter turn-up		80%	43.18%	(46.03)
Field Workshop Machinery Availability		90%	66.01%	(26.56)

FACTORY/PRODUCTION DEPARTMENTS

In the period under review (from July 1st 2020 to June 30 ,2021), the company milled 440,265.57 of cane against a target of 600,000 resulting to a negative variance of 159,734.43 of cane and produced 28,474.35 of sugar against a target of 54,545 giving a negative variance of 26,070.65 . The TC/TS averaged 15.41.

A) PERFORMANCE 1ST JULY 2020 TO 30TH JUNE 2021

Parameter	Actual	Target	Variance
Cane Milled (tons)	440,265.57	600,000	-159,734.43
Sugar Bagged (tons)	28,474.35	54,545	-26,070.65
TC/TS	15.41	11.04	-4.37
Capacity Utilization (%)	44.95	62.50	-17.55
Factory Time Efficiency	61.95	86.00	-24.05
Mill Extraction (%)	85.53	89.50	-3.97
Bagasse Pol (%)	3.69	3.30	-0.39
Pol in Cane (%)	9.40	11.50	-2.10
BHR (%)	79.61	88.00	-8.39
Filter Cake (%)	4.65	3.2	-1.45
UndeterminedLosses (%)	2.81	2.00	-0.81

i. Cane milled and sugar bagged total targets for the quarter were not achieved due to delayed annual maintenance.
ii. Capacity utilization was below target due to factory stoppages attributed to delayed annual maintenance.
iii. Factory time efficiency below target due to delayed annual maintenance, lack of critical spares and inadequate consumables.
iv. Pol % cane below target due to frequent company stoppages (as in iii above) which led to stale cane.
v. Boiling house recovery below target due to milling stale cane and delayed annual maintenance.
vi. Filter cake pol slightly below target due to the aged filters.
vii. Mill extraction and bagasse pol below target due to, as in (iii) above. This will even out as the factory run is stabilized.

KEY CHALLENGES

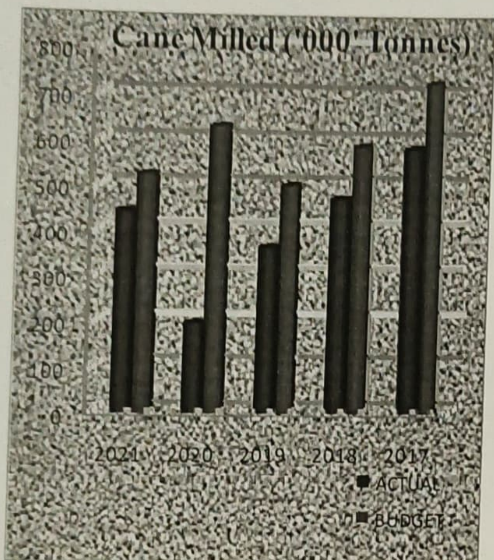
i. Servicing of the turbines.
ii. Poor performance by mud filters
iii. Process house piping system worn out.
iv. Sugar dryer radiator worn out.
v. Old pumps in process house
vi. Servicing of auto control systems in the plant
vii. Milling stale cane with excessive trash.
viii. Inadequate cane leading to stoppages that result to (staleness) excessive sucrose inversion at clarifiers/juice tanks.

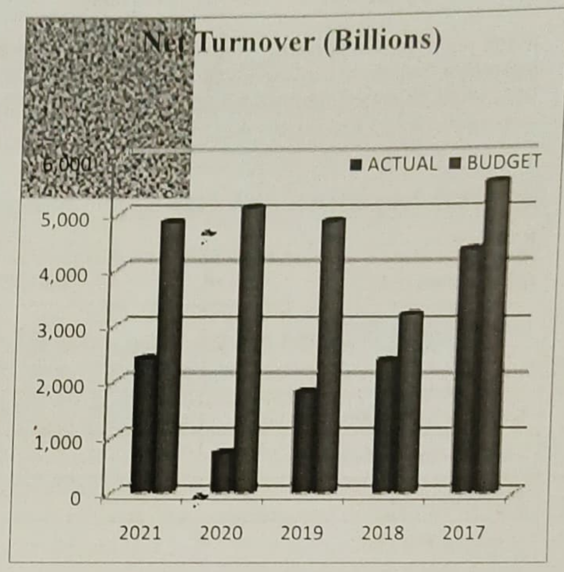
WAY FORWARD

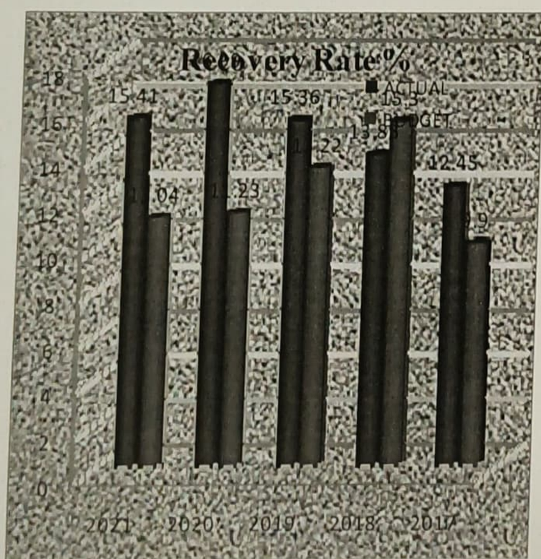
i. Procurement of inter-carrier drag chains, baggase carrier gearbox, drier radiator and molasses pumps, mills rollers, boiler tubes, injection pumps in progress.
ii. Maintenance is being done on the run for the other areas that are currently in bad state as per the revenue generated by the company.

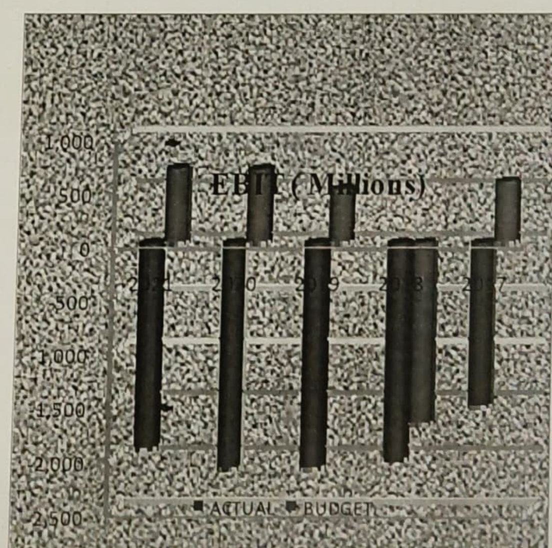
MANAGEMENT DISCUSSION AND ANALYSIS......Continued

PERFORMANCEHIGHLIGHTS









ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Environmental and Sustainability Reporting is the disclosure and communication of environmental, social and governance (ESG) goals as well as a company's progress towards them. Corporate Social Responsibility (CSR) is the continuous commitment by the company to behave ethically and contribute to the economic development while improving the quality of life of the work force, their families as well as the local community and society at large.

Source: World Business Council of Sustainable Development-WBCSD.

Through ESG activities, Nzoia Sugar Company has been able to enjoy mutually beneficial relationships with the community and the environment around it. The company has a Corporate Social Responsibility Policy in place that guides the selection, approval and implementation process of all CSR projects and is developing a ESG policy to widen the scope .

During the financial year (1stJuly 2020 to 30th June 2021), the following ESG activities were undertaken:

Education

The company has continued to invest in the education sector and this has been underpinned by the recognition that a skilled and high impact talent pool is critical for Kenya's long-term economic development. As a demonstration of the commitment to the education sector, the company is the main sponsor to two primary and two secondary schools in Bungoma County.

During this period, in the 2nd quarter, the company supported the flooring of three classrooms for Nzoia Industrial Boys Secondary schools at a cost of Ksh.156,240. The company also donated an excavator to Nzoia Girls Secondary School up to 8-machine hour's wet rate.
The company also supported Masinde Muliro University graduation to the tune of Kshs.15,500. The donation was in form of a trophy, a 50kg bag of sugar and Kshs.10,000.00 cash to the best student in the school of business.

In 3rd quarter the company supported the completion of electricity connection to Nzoia Industrial Boys Secondary School at a cost of Kshs.103,750. During this period also, Safaricom funded a donation of school bags to two Nzoia sponsored schools (Nzoia Sugar Company Primary School and Nzoia Industrial Primary School) to the tune of Kshs. 50,000.00
In the 4th quarter, the company sponsored a Multi-Disciplinary International Online Conference organized by Masinde Muliro University of Science and Technology to the tune of Ksh.99,000.00.

Healthcare

The Company has continued to support the community by offering medical services on an emergency basis to the community including provision of Mother to Child Healthcare services and other medical services from the Company Clinic. The company also has a VCT Centre which offers free Counselling and Testing for HIV/AIDS victims.

Environmental Sustainability

The company has always conserved the environment by donating tree seedlings to schools to plant during annual tree planting exercises. Furthermore, we sell tree seedlings to our farmers and the surrounding community at subsidized prices.
In the 2nd quarter the company donated 1100 trees seedlings at the cost of Kshs.5,500.00 to Nzoia sponsored schools: Nzoia Industrial Boys - 500, Nzoia Sugar Company Primary -200 Nzoia Sugar Girls Secondary School -200 and Nzoia Industrial Primary 200.

In the 4th quarter we donated 1500 tree seedlings to NEMA during world environment day from tree seedlings nurtured at one of our Company tree nurseries.

Infrastructure

As part of ESG and subject to availability of machines and funds, the Company supports the infrastructure within its Out growers' zone by grading and gravelling roads.
During the 1st quarter 1st July 2020 to august 30th 2020, the company supported building Sang'alo/Sitikho Bridge to the tune of Kshs.65,000 in form of 10 dozers hours dry rates in East Sangalo and Sitikho Sub Location.
In the 2nd quarter, the company also donated eight machine hours towards grading of a road within the Nandolia Market.

Water

The company supplies clean water to the community around through various water points erected in the markets neighbouring the company. In addition, the company also supplies clean water to our farmers for use during funerals upon request and subject to provision of fuel and machinery.

Youth development and sports
Nzoia Sugar Company is a full sponsor to Nzoia Sugar FC. The team currently plays at the Kenya Premier League. The team employs talented young boys and nurtures them to be great players. Since the resumption of the post Corona league season sponsored by BetKing, the team has played 22 games so far. We have won 4 games, drawn in 8 games and lost in 10 games.

The company also in the 1st quarter sponsored Martin Barasa through talent sponsorship investment worth Kshs.70,000.00 for release of all rights to a song marketing our sugar brand.
The company also issued 183 pieces of reflective jackets to BodaBoda teams from various bodaboda stages (Nzoia main gate, Kongoli stage, Navakholo stage and Bukembe stage). This was for purposes of branding and publicity value as well as enhancing Road Safety.

Donations
During this period in the 1st quarter, the Company supported vulnerable families affected by floods and covid-19 by donating 600kgs of sugar worth Kshs.55,500 across our 4 Outgrowers zones.

In the 2nd quarter, the company donated sanitizers and masks worth Kshs.30,000 to the Bungoma prisons to fight Covid-19.During the 3rd quarter the Company supported St. Teresa special School, Webuye by donating 50kg of sugar.

In the 4th quarter the Company supported West Special School Chwele by donating one bale of Sugar to the children with special needs. During the same period, the Company donated a 50kg bag of sugar to the office of the Deputy County Commissioner on Madaraka Day meant to support various children's homes.

REPORT OF THE COMPANY MANAGEMENT

The Company Management present their report together with the audited financial statements of Nzoia Sugar Company Limited (the "company") for the year ended 30th June 2021, which shows its state of affairs.

The audited financial statements of the company are used by the company shareholders, customers, employees, lenders and the general public.

PRINCIPAL ACTIVITIES

The principal activities of the company are the production and sale of sugar and other by products

PRODUCTION

The following are the comparative statistics of cane processed and sugar production for the last five years:

	Sugar bagged	Cane milled	TC:TS
	(Tonnes)	(Tonnes)	
2020/21	28,474	440,266	15.41
2019/20	11,624	193,288	16.99
2018/19	23,537	362,999	15.36
2017/18	33,858	469,651	13.83
2016/17	46,724	580,868	12.45

RESULTS

The results for the financial year ended 30th June 2021 are set out on pages 1 to 48.

	2021 KES 000'	2020 KES 000''
Turnover	2,514,809	723,284
Profit/Loss before Interest & Tax	(2,071,289)	(2,599,881)
Profit/Loss after tax	(2,954,379)	(3,483,246)

DIVIDENDS

The Company Management do not recommend a dividend in respect of the year (2020/21– KES Nil).

DIRECTORS

The life of the board expired on 16th July 2020 under gazette notice number 5433 dated 22nd July 2020.

AUDITORS

The Auditor General is responsible for the statutory audit of the company's books of account in accordance with article 229 of the Constitution of Kenya and the Public Audit Act 2015, for the year ended June 30, 2021.

Company Secretary
Bungoma

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and State Corporations Act Cap.446 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenya Companies Act, and for such internal financial controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenya Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

As disclosed in note 3 to the financial statements, the directors acknowledge that the company's ability to continue with its operations as a going concern depends on continued financial support from its shareholders. The directors are confident that the company will successfully return to profitable operations in the near future. Accordingly, the directors consider the going concern assumption appropriate.

However the life of the board of directors expired on 16th July 2020 under gazette notice number 5433 dated 22nd July 2020.

Preparation and approval of the financial statements was carried out by the Company management during the year.

The Nzoia Sugar Company Limited Financial Statements were approved .... and signed on its behalf by:

....	....
Dr. Chrispine Ogutu Omondi	**Ms.Ritah Mukhongo**
Managing Director/C.E.O	**Company Secretary**
	Bungoma

2021

REPUBLIC OF KENYA

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

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NZOIA SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

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 Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the 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

Qualified Opinion

I have audited the accompanying financial statements of Nzoia Sugar Company Limited set out on pages 1 to 50, which comprise the statement of financial position as at 30 June, 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nzoia Sugar Company Limited as at 30 June, 2021 and of its financial performance and its cash flow for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Cost of Sales

Included in the statement of profit or loss and other comprehensive income, is cost of sales amount of Kshs.2,765,027,000 which, as disclosed under Note 6 to the financial statements, includes an amount of Kshs.1,667,662,000 relating to cost of cane ground. However, there were variances between the amounts in the financial statements, the stores and the factory, and no explanation or reconciliation was provided as detailed below;

Description	Balance as per Financial Statements (Kshs'000)	Balance as per Stores Records (Kshs'000)	Balance as per Factory Records (Kshs'000)	Variance between Financial Statements & Stores (Kshs'000)	Variance between Financial Statements & Factory (Kshs'000)	Variance between Stores & Factory (Kshs'000)
Opening Stock	4,810	4,810	4,810	-	-	-
Delivered Cane	1,670,041	1,660,988	1,661,561	9,053	8,480	(573)
Available Cane	1,674,851	1,665,798	1,666,371	9,053	8,480	(573)
Closing Stock	7,189	7,191	7,191	- 2	- 2	-
Cost of Cane Ground	1,667,662	1,658,607	1,659,180	9,055	8,482	(573)

In the circumstances, the accuracy of the cost of sales amount of Kshs.1,667,662,000 could not be confirmed.

2. Idle Investment Property

The statement of financial position reflects a balance of Kshs.303,978,000 under investment property which, as disclosed in Note 17 to the financial statements, relates to the Company's residential property situated in Kileleshwa, Nairobi. The property attracts annual land rates of Kshs.112,600 and has a market monthly rental income of Kshs.75,000. However, as reported previously, the property has not been occupied for the last eight (8) years which translates to a loss of rental income totalling Kshs.7,200,000.

In addition, available information also indicates that, there is a pending legal case in court by a former tenant which has not been disclosed in these financial statements as a contingent liability.

In the circumstances, the Company has been denied income due from the property and the fair presentation of the financial statements could not be confirmed.

3. Long Outstanding Goods in Transit

The statement of financial position reflects inventories balance of Kshs.459,869,000 as disclosed in Note 19 to the financial statements. The balance includes consumables balance of Kshs.425,767,000 which turn includes goods in transit valued at Kshs.228,950,530 which have remained as goods in transit for the last six years.

In the circumstances, the fair valuation of the inventories balance of Kshs.459,869,000 could not be confirmed.

4. Long Outstanding Trade and Other Receivables

The statement of financial position reflects a net balance of Kshs.29,132,000 under trade and other receivables which, as disclosed in Note 20 to the financial statements. The balance includes an amount of Kshs.37,893,000 relating to prepayments and deposits, out of which, and as reported previously, includes a balance of Kshs.30,025,000 relating to deposits for goods and services not delivered. No explanation was provided for the failure to have the goods or services received or have the deposits refunded.

In the circumstances, the accuracy and fair valuation of the trade and other receivables balance of Kshs.29,132,000 could not be confirmed.

5. Deferred Tax Liability

The statement of financial position reflects a deferred tax liability balance of Kshs.3,885,282,000 as disclosed in Note 27 to the financial statements which has remained outstanding since 2018/2019. In addition, no schedules were provided to support the balance.

In the circumstances, the validity and accuracy of the deferred tax liability balance of Kshs.3,885,282,000 could not be confirmed.

6. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects cash generated from operations of Kshs.180,485,000 as disclosed in Note 31 (a) to the financial statements. However, the change in trade and other payables of Kshs.1,623,977, differs with the recomputed amount of Kshs.1,507,388,000. No explanation was provided for the variance of Kshs.116,589,000.

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

7. Outstanding Borrowings

The statement of financial position reflects borrowing balance of Kshs.43,301,437,000 which, as disclosed under Note 26(a) to the financial statements, comprises of

Kshs.40,612,284,000 and Kshs.2,689,153,000 being loans from The National Treasury and Agricultural Food and Fisheries Authority respectively. As previously reported, the two loans comprised of principal amounts totalling Kshs.12,544,135,000 but had cumulatively accrued interest amounting to Kshs.30,757,302,000. Further, financing agreements for the two loans were not provided for audit review and no explanation was provided for the failure to repay the loans.

In the circumstances, the total accrued interest of Kshs.30,757,302,000 constitutes an avoidable expenditure and the accuracy of the principal amounts and accrued interest could not be confirmed.

8. Irregular Payments of Acting Allowances

Review of the personnel records revealed that twenty eight (28) employees of the Company were serving in an acting capacity for periods longer than six months, contrary to the provisions of Section C14 of the Public Service Human Resource Policy and Procedures Manual of May, 2016, which states that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months. A total amount of Kshs.6,714,087 was paid as acting allowances during the year under review.

Further, as previously reported, several positions were being held in acting capacity. This included office of the Managing Director and other departmental heads. The officials holding office in acting capacity could not make independent decisions, thereby adversely affecting the operations of the Company and the Board and Management were in breach of the law.

In the circumstances, the regularity of the acting allowances expenditure of Kshs.6,714,087 could not be confirmed.

9. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.12,255,366,000 under trade and other payables which, as disclosed under Note 28 to the financial statements, includes tax penalties amounting to Kshs.5,472,355,000. No explanation was provided for failure to pay taxes which as a result gave rise to tax penalties amounting to Kshs.2,778,680,096 and Kshs.751,835,618 relating to Value Added Tax and Pay As You Earn respectively. This is contrary to the provisions of Section 37(1) of the Income Tax act, and Section 19 of the Value Added Tax Act, 2013 (amended 2021), which require prompt payment of taxes.

In the circumstance, the accumulated taxes and penalties continue to weigh down the performance of the Company.

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

Key Audit Matters

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

Emphasis of Matter

Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a net operating loss of Kshs.2,954,379,000 and a loss of Kshs.3,483,246,000 for 2019/2020. This deteriorated further the shareholders' equity from a negative of Kshs.54,497,516,000 in 2019/2020 to a negative of Kshs.47,989,012,000 in the year under review.

Further, the current liabilities balance of Kshs.55,767,070,000 exceeded the current assets balance of Kshs.1,389,047,000 by Kshs.54,378,023,000.

In the circumstances, the Company appears technically insolvent and its continued existence as a going concern is dependent upon the financial support from its creditors and the Government.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the Company had an approved revenue budget of Kshs.4,990,909,000 but realized only Kshs.2,514,809,000 (or about 50%). No explanation was provided for the shortfall of Kshs.2,476,100,000 of the approved budget.

In the circumstances, the Company was not able to carry out its activities as had been planned.

2. Unresolved Prior Year Matters

The status of the progress on follow-up of the prior year auditor's recommendations was not provided in the financial statements as required by the Public Sector Accounting Standards Board (PSASB). In addition various prior year audit issues remained unresolved and Management did not provide satisfactory reasons for the delay in resolving the audit issues.

In the circumstances, the Fund's financial statements do not comply with the financial reporting guidelines provided by PSASB pursuant to Section 194 of the Public Finance Management Act, 2012.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's statement, Managing Director's report, statement of performance against predetermined objectives, report of the Directors, Corporate governance statement, Management discussion and analysis, environmental and sustainability reporting, Corporate social responsibility statement and the statement of Directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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

The audit was conducted in accordance with ISSAI 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Failure to Establish an Audit Committee

During the year under review, the Company did not have an Audit Committee to give oversight regarding activities and transactions of the Company. This is contrary to the provisions of Regulation 43(e) of the Public Finance Management Regulations, 2015.

The Company was therefore in breach of the law

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

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 control 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 control would not necessarily disclose all matters in the internal control 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 control 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 Company's 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 control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Managements' use of the going concern 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on the audit, that:

(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit.

(ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those books; and

(iii) The Company's financial statements are in agreement with those records but could not be confirmed to the returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015, and for maintaining effective internal control 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 assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company 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.

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

Auditor-General's Responsibilities for the Audit

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 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 Company to cease to continue as a going concern.

- 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 Company 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 control that are identified during the audit.

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 September, 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 KES'000'	2020 KES'000'
Revenue	4	2,514,809	723,284
Fair value gain/(loss) on biological assets	5	133,334	263,266
TOTAL REVENUE		**2,648,143**	**986,550**
Cost of sales	6	(2,765,027)	(1,488,271)
Gross profit		(116,883)	(501,721)
OTHER OPERATING INCOME			
Gains on Disposal of Non-Financial Assets	7	164	(453)
Other Income	8	86,240	99,960
		86,404	**99,507**
Administrative expenses	9	(1,961,506)	(2,148,497)
Marketing and distribution costs	10	(2,722)	(999)
Depreciation of property, plant & machinery	15	(67,890)	(38,958)
Amortization of intangible Assets	16	(8,693)	(9,213)
TOTAL OPERATING EXPENSES		**(2,040,810)**	**(2,197,667)**
OPERATING PROFIT/(LOSS)	11	**(2,071,289)**	**(2,599,881)**
Finance income	12	3,944	2,986
Finance costs	13	(887,034)	(886,351)
PROFIT/(LOSS)BEFORE TAXATION		**(2,954,379)**	**(3,483,246)**
Taxation credit/(charge)	14	-	-
PROFIT/(LOSS) AFTER TAXATION		**(2,954,379)**	**(3,483,246)**
OTHER COMPREHENSIVE INCOME(LOSS)		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(2,954,379)**	**(3,483,246)**

Earnings per share is negative Kes.5.54

The notes set out on pages 5 to 48 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

ASSETS	Note	2021 KES'000	2020 KES'000
Non current assets			
Property, plant and equipment	15	9,786,836	10,155,614
Intangible assets	16	163,602	172,295
Investment property	17	303,978	250,000
Out-growers balances	18	19,878	13,370
		10,274,293	**10,591,278**
Current assets			
Due from Out-growers	18	39,755	26,739
Inventories	19	459,869	675,353
Biological assets	5	804,937	805,366
Trade and other receivables	20	29,132	55,048
Short term deposits	21	-	320
Cash and bank balances	22	55,355	60,775
		1,389,047	**1,623,602**
Total assets		**11,663,341**	**12,214,880**
EQUITY AND LIABILITIES			
Equity			
Share capital	23	543,000	543,000
Revaluation surplus	24	5,965,504	5,965,504
Retained earnings	25	(54,497,516)	(51,543,138)
Shareholders' equity		**(47,989,012)**	**(45,034,633)**
Non current liabilities			
Long term borrowings	26	-	153,504
Deferred income taxation liability	27	3,885,282	3,885,282
		3,885,282	**4,038,786**
Current liabilities			
Borrowings	26	43,301,437	42,226,859
Trade and other payables	28	12,255,366	10,747,978
Provident fund obligation	29 a	175,685	198,628
Defined benefit scheme liability	29 b	-	-
Provision for staff leave pay	30	33,857	36,535
Taxation payable	14	726	726
		55,767,070	**53,210,726**
Total equity and liabilities		**11,663,341**	**12,214,880**

The Financial Statements set out on pages 1 to 4 were approved and authorised for issue by the Company Management on.. 2021 and were signed on its behalf by:

....	....	....
Dr.Chrispine Ogutu Omondi Managing Director	CPA Ezron Kotut -5669 Finance Manager	Ms.Ritah Mukhongo Company Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Share capital KES'000	Revaluation surplus KES'000	Retained deficit KES'000	Total KES'000
At 1July 2019	543,000	5,965,504	(48,059,892)	(41,551,387)
Total comprehensive profit(loss)	-	-	(3,483,246)	(3,483,246)
At 30 June 2020	**543,000**	**5,965,504**	**(51,543,138)**	**(45,034,633)**
Total comprehensive profit(loss)	-	-	(2,954,379)	(2,954,379)
At 30 June 2021	**543,000**	**5,965,504**	**(54,497,516)**	**(47,989,012)**

The revaluation surplus represents the net cumulative surplus arising from revaluation of property, plant and equipment net of reclassification, adjustments, depreciation and deferred taxation. The revaluation surplus is non-distributable.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 KES'000	2020 KES'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	31 (a)	180,485	(38,603)
Interest received	12	3,944	2,986
Interest paid		-	-
Taxation paid	14	-	-
Net cash generated from/(used in) operating activities		184,429	(35,617)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	15	(47,989)	(7,273)
Additions to biological assets	5	(142,180)	(100,636)
Additions to intangible assets	16	-	-
Net cash used in investing activities		(190,170)	(107,909)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received	26	-	153,504
Loans repaid	26	-	-
Net cash (used in)/generated from financing activities		-	153,504
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(5,740)	9,977
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		61,095	51,118
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31(b)	55,355	61,095

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2021

	Note	ACTUAL	BUDGET	PERFORMANCE DIFFERENCE
		Shs'000	Shs'000	Shs'000
Revenue	4	2,514,809	4,990,909	(2,476,100)
Fair value gain/(loss) on biological assets	5	133,334	-	133,334
TOTAL REVENUE		**2,648,143**	**4,990,909**	**(2,342,766)**
Cost of sales	6	(2,765,027)	(2,936,426)	171,399
Gross profit		(116,883)	2,054,483	(2,171,366)
OTHER OPERATING INCOME				
Gains on Disposal of Non-Financial Assets	7	164	-	164
Other Income	8	86,240	155,987	(69,583)
		86,404	**155,987**	**(69,583)**
Administrative expenses	9	(1,961,506)	(1,316,189)	(645,317)
Marketing and distribution costs	10	(2,722)	(27,942)	25,220
Depreciation of property, plant & machinery	15	(67,890)	(175,577)	107,687
Amortisation of intangible Assets	16	(8,693)	-	(8,693)
TOTAL OPERATING EXPENSES		**(2,040,810)**	**(1,519,708)**	(521,102)
OPERATING PROFIT/(LOSS)	11	**(2,071,289)**	**690,762**	(2,762,051)
Finance income	12	3,944	8,734	4,790
Finance costs	13	(887,034)	(654,819)	(232,215)
PROFIT/(LOSS)BEFORE TAXATION		(2,954,379)	44,677	(2,999,056)
Taxation credit/(charge)	14	-	-	-
PROFIT/(LOSS) AFTER TAXATION		**(2,954,379)**	**44,677**	**(2,999,056)**

BUDGET NOTES

1. Revenue had an adverse variance due to low production volumes as a result of frequent stoppages and non-maintence of the factory machinery.
2. The Company did not realize the targeted amount for other income as the earmarked projects i.e. sale of scrap/poles and boarded vehicles did not take place as planned.
3. Finance income fell below target due to cash-flow constraints experienced by the company hence not able to deposit extra cash into fixed deposits accounts as planned.
4. Administrative expenses had an adverse variance due to non payment of taxes leading to incurring huge penalty taxes of Kes.1 billion.
5. Marketing and distribution costs fell below target due to cashflow constraints experienced by the company hence not able to fund marketing activities fully as budgeted.

NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

(b) Application of new and revised International Financial Reporting Standards (IFRSs)

*(i) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2021***

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The amendments to IAS 12 Income Taxes clarify the following aspects: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The application of these amendments has had no impact on the Company's financial statements as the Company already assesses the sufficiency of the future taxable profits in a way that is consistent with these amendments.

(ii) **New and revised IFRSs in issue but not yet effective for the year ended 30 June 2021**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below :

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

requirements for the classification and measurement of financial liabilities and for de-recognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

a) impairment requirements for financial assets; and
b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1. ACCOUNTING POLICIES (Continued)

Based on an analysis of the Company's financial assets and financial liabilities as at 30 June 2021 on the basis of the facts and circumstances that exist at that date, the Directors have performed a preliminary assessment of the impact of IFRS 9 to the Company's financial statements as follows:

Classification and measurement

All the financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9, finance lease receivables, amounts due from customer under contracts, and financial guarantee contracts will be subject to the impairment provisions of IFRS 9.

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, as required or permitted by IFRS 15. The Company does not hold any listed redeemable notes, finance lease receivables, amounts due from customer under construction contracts or financial guarantee contracts.

In general, the Directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the trade and other receivables balances and are currently assessing the potential impact.

Hedge accounting

As the new hedge accounting requirements will align more closely with the Company's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Company's current hedging relationships indicates that they will qualify as continuing hedging relationships upon the application of IFRS 9.
The Directors are assessing the potential impact on the financial statements resulting from the application of these changes. The new standard is expected to be applied for the year beginning 1 July 2019.

(b) Application of new and revised International Financial Reporting Standards (IFRSs) and IFRICs (Continued)

(iii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2021 (Continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1. ACCOUNTING POLICIES (Continued)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation
Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.
In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to identification of performance obligations, principal versus agent considerations as well as licensing application guidance.
The Company recognises revenue mainly from sale of sugar. Based on preliminary assessment, the Directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance. The new standard is expected to be applied for the year beginning 1 July 2019.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.
IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right of use asset and a corresponding liability be recognised for all lessees (i.e. on balance sheet) except for short term leases and leases of low value assets.

The right of use is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under IFRS 16, the lease payments will be split into principal and interest portions which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward lessor accounting treatment in IAS 17 and continues to require a lessor to classify a lease as either an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.
The Company is assessing the potential impact on the financial statements resulting from the application of these changes.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

(b) Application of new and revised International Financial Reporting Standards (IFRSs) and IFRICs (Continued)

(ii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2021 (Continued)

IFRS 17 Insurance Contracts

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates.

The entity:
(a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
(b) chooses where to present the effects of some changes in discount rates - either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.
IFRS 17 replaces IFRS 4 *Insurance Contracts*. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers.*
The adoption of this standard will not have an impact on the consolidated and company financial statements since the Company does not issue insurance contracts.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The amendments clarify the following:
(i) In estimating the fair value of a cash settled share based payment, the accounting for the effects of vesting and non vesting conditions should follow the same approach as for equity settled share-based payments.

(ii) Where tax law or regulation require an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

(b) Application of new and revised International Financial Reporting Standards (IFRSs) and IFRICs (Continued)

(ii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2021(Continued)

IFRS 17 Insurance Contracts (Continued)

(iii) A modification of share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

- The original liability is derecognised;
- The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to modification date; and
- Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

(b) Application of new and revised International Financial Reporting Standards (IFRSs) and IFRICs (Continued)

(ii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2021(Continued)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (Continued)

The Directors do not anticipate that the application of the amendments in future will have a significant impact on the financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. (e.g. a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transactions is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements as the Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

(b) Application of new and revised International Financial Reporting Standards (IFRSs) and IFRICs (Continued)

(ii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2021 (Continued)

IFRS 17 Insurance Contracts (Continued)

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

The Company is assessing the potential impact on the financial statements resulting from the application of these changes.

(ii) **New and revised IFRSs in issue but not yet effective for the year ended 30 June 2021 (Continued)**

Annual Improvements to IFRS Standards 2015-2017 Cycle

The Annual Improvements to IFRS Standards 2015-2017 cycle makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

(iii) **Early adoption of standards)**

The Company did not early adopt new or amended standards in the period ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

Basis of preparation
The financial statements have been prepared on the historical cost basis of accounting as modified to include the revaluation of certain assets. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous years and are set out below:

Revenue recognition

(i) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recorded net of estimated customer returns, rebates and other similar allowances. Revenue from the sale of sugar and molasses is recognised when all the following conditions are satisfied and is stated net of Value Added Tax, excise duty and discounts where applicable:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Other income

All other income earned by the company is recognised on the accruals basis.

Expense recognition

The company records expenses when they are incurred, meaning when the goods are received or the services are provided, whether or not an invoice has been received or payment has been made.

Foreign currencies

In preparing the financial statements of the company, transactions in currencies other than it's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Taxation

Income taxation expense represents the sum of current taxation and deferred taxation.

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

Deferred income taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxation.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. All property, plant and equipment are subsequently shown at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation and any accumulated impairment losses. Such valuation is carried out at periodic intervals, usually after every five years.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining the profit before taxation. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

The carrying values of property, plant and equipment are reviewed annually and adjusted for impairment where it is considered necessary.

Any revaluation increase arising on the revaluation is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

Depreciation is calculated on the reducing balance method to write off the cost or the revalued amount of each asset to its estimated residual value over its estimated useful life. The annual rates used are:

Land development	Nil
Buildings	5% - 10%
Factory plant and machinery	10%
Heavy mobile machinery and trailers	15% - 35%
Motor vehicles	25%
Computer systems	30%
Water and electrical installations	15%
Other equipment and fixtures	15%

The annual depreciation on the revaluation surplus element of property, plant and equipment is transferred from the revaluation surplus to retained earnings.

Inventories

Finished sugar and molasses inventories are stated at the lower of production cost and net realisable value. Production cost comprises expenditure directly incurred in the manufacturing process and an allocation of normal production overheads attributable to the process. Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

Spares, fertilisers, chemicals and other consumable stores are stated at cost net of provisions for impairment where applicable. Cost is calculated on the weighted average cost basis and includes the purchase price, import duties and other taxes (other than those subsequently recoverable by the company from the taxation authorities), and transport, handling and other costs directly attributable to the acquisition of the item.

Intangible assets

Computer software costs are recognised as assets and are stated at cost less accumulated amortisation. The costs are amortised on the straight line basis over the expected useful lives not exceeding a period of twenty years.

Biological assets

Biological assets (cane plantations) and agricultural produce (harvested cane) are stated at their fair values less estimated costs to sale.

The fair value of growing cane is determined based on the present value of expected net cash flows. The fair value of harvested cane is determined based on the prices of cane existing in the market less estimated point of sale costs
Immature growing cane is valued at cost up to cane age from 0 – 9 months.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the company as a lessee. All other leases are classified as operating leases.

When a lease includes land and buildings elements, the company assesses the classification of each element as either a finance lease or an operating lease. In determining classification of the land element, an important consideration is that land normally has an indefinite economic life. Therefore the finance lease or operating lease classification of the land is considered a critical area of judgment. See note 2 to these financial statements.

The company as lessor

Assets held under finance leases are recognized as assets of the company at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the profit and loss account over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The company as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

Financial instruments

Financial assets and financial liabilities are recognized in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Classification

The company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held-to-maturity assets; and, available-for-sale assets. Management determines the appropriate classification of its financials assets at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. Bad debts are written off when all reasonable steps to recover them have failed. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in number of delayed payments in the portfolio past average credit period as well as observable changes in national or economic conditions that correlate with default on receivables. The company's trade and other receivables as well as bank balances fall under this category.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available-for-sale. The collateral and the term deposits fall under this category.

Available-for-sale financial assets

This category represents financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held-to-maturity.

Recognition
Financial assets are initially recognized at fair value plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are dealt with in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and accumulated in equity, until the financial asset is derecognized or impaired, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities. Financial liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expire.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of directly attributable transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.
The company's key other financial liabilities are:

Borrowings
Interest bearing loans are recorded at the proceeds received, net of direct costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables
Trade and other payables are stated at their nominal value which approximates amortized cost.

Impairment

At the reporting date, the company reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized through profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately through profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee benefits

Defined benefit scheme

The company operates a defined benefit post-employment scheme for eligible non Unionisable employees. The scheme was closed to new entrants with effect from 1 July 2007, following the setting up of a new defined contribution scheme. The assets of the scheme are held and administered independently of the company's assets.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

1 ACCOUNTING POLICIES (Continued)

The accrued (past service) liability in respect of each in-service Scheme member is taken as the present value of all benefits accrued as at the reporting date based on Pensionable Service to 30 June 2007 and Pensionable Salary as at 30 June 2007 revalued at 5% per annum compound, subject to a minimum of the accumulated contributions paid by and in respect of each member with interest to the valuation date. The accrued liability in respect of pensioners is taken as the present value of the expected future pension payments. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The net retirement benefit obligation represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Defined contribution schemes

The company operates a defined contribution provident fund for eligible Unionisable employees. The fund is administered independently of the company's assets. It is funded by contributions from the company and employees. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The company's contributions to the fund are charged to profit or loss in the year to which they relate.

The company and its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme. The company's obligation is limited to a specified contribution per employee per month. Currently, the contribution is limited to a maximum of KES 200 per employee per month. The company's contributions are charged through profit or loss in the year to which they relate.

Provisions for staff leave pay

A provision is made to recognise staff entitlements in respect of annual leave not taken as at the end of the financial year.

Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared and appropriately authorized.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in the presentation for the current year.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgments, estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods. These are dealt with below:

(i) Critical judgments in applying the company's accounting policies

Held to maturity investments
The company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. This classification requires significant judgement. In making this judgement, the company evaluates its intention and ability to hold such investments to maturity. If the company fails to keep these assets to maturity, for example selling a more than insignificant amount close to maturity, it will be required to classify the entire class as available-for-sale. The assets would therefore have to be measured at fair value and not amortised cost with the difference arising from this change in valuation being a corresponding entry to a fair value reserve in shareholders' equity.

Classification of leases of land and buildings as finance or operating leases
At the inception of each lease of land or building, the company considers the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

The company also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (Continued)

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

- **Key sources of estimation and uncertainty**

Biological assets (unharvested cane)

In determining the fair value of biological assets, management uses estimates based on historical data relating to yields and prices of sugar. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce potential differences between estimates and actual experience. The significant assumptions used are set out in note 13.

Property, plant and equipment and intangible assets

Critical estimates are made by the management in determining the useful lives of property, plant and equipment and intangible assets. This is the basis on which the depreciation and amortization rates applied on property, plant and equipment and intangible assets respectively are determined.

Impairment

At the reporting date, the company reviews the carrying amounts of its assets to determine whether there is any objective evidence that those assets have suffered an impairment loss. If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Contingent liabilities

The company is exposed to various contingent liabilities in the normal course of business. Management evaluates the status of these exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the management's evaluation, a present obligation has been established.

NOTES TO THE FINANCIAL STATEMENTS......Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2021

3 GOING CONCERN

At 30 June 2021, the company had a shareholders' deficit of KES 47,989,012 (2020 - KES 45,034,633) and current liabilities exceeded current assets by KES 54,378,023 (2020 - KES. 51,586,999). This situation indicates the existence of a material uncertainty which may cast doubt on the company's ability to continue as a going concern.

The directors have assumed that the Government of Kenya (GOK) and Agriculture Food and Fisheries Authority will not demand for the settlement of the outstanding loan amounts. Should the Government of Kenya and the Agriculture Food and Fisheries Authority demand for the settlement of their net loans, adjustments will be required to restate the assets to their realisable values, to reclassify non-current assets and long-term liabilities to current liabilities and to provide for any further losses and liabilities that may arise.

As noted in a report presented to parliament, the cabinet has prepared a proposal for the write off of all Government of Kenya loans and accrued interest, taxes and related penalties. There are also plans to privatize the Company which will include restructuring of the Company and bringing new investors on board.

In view of the foregoing the Directors consider it appropriate to prepare the financial statements on going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

		2021 KES'000	2020 KES'000
4	**REVENUE ANALYSIS**		
	Gross sales	2,889,072	824,544
	Less: Sugar Development Levy	-	-
	Less: Value Added Tax	(374,263)	(101,260)
	Net sales	2,514,809	723,284
	Net sales analysed as follows:		
	Sugar sales	2,405,706	681,581
	Molasses sales	109,103	41,703
		2,514,809	723,284

		2021 KES'000	2020 KES'000
5	BIOLOGICAL ASSETS		
	At beginning of the year	805,366	538,978
	- Additions	142,180	100,636
	Decrease due to harvest	(275,944)	(97,514)
	As restated	671,603	542,101
	(Loss)/gain arising from changes in fair value attributable to physical changes	120,986	263,266
	Loss)/gain arising from changes in fair value attributable to price changes	12,348	-
	Fair value gain/(loss) during the year	133,334	263,266
	At the end of the year	804,937	805,366

In determining the present value of expected net cash flows, the company has not discounted the cash flows as standing cane will mature within the next reporting period and therefore the impact of time value of money on estimated future cash flows is not significant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. COST OF SALES

	2021	2020
	KES'000	KES'000
Opening stock raw material-Cane	4,810	2,788
Cane purchased -N/Estate	326,651	79,574
-O/G	1,343,390	642,515
Total cane received	**1,674,851**	**724,877**
Raw materials available for crushing	1,674,851	724,877
Closing stock raw materials	(7,189)	(4,810)
Cost of cane ground	**1,667,662**	**720,067**
Production - Direct labour	112,967	111,439
- Direct Expenses	44,703	31,466
Total Direct expenses	**157,670**	**142,905**
Prime costs	**1,825,332**	**862,972**
Factory -Indirect labour	181,362	171,754
-Indirect Expenses	163,749	174,668
-Depreciation	400,529	449,726
Total indirect costs	**745,640**	**796,148**
Factory cost of production	**2,570,972**	**1,659,120**
Add: Opening work in progress	19,397	49,047
Less: Closing work in progress	(25,207)	(19,397)
	2,565,161	**1,688,770**
Factory cost of completed goods		
Add: Opening stock Finished goods	201,571	1,072
Goods available for sale	**2,766,732**	**1,689,841**
Less: Closing stock Finished goods	(1,706)	(201,571)
Cost of sales	**2,765,027**	**1,488,271**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021 KES'000	2020 KES'000

7. GAINS/(LOSS) ON DISPOSAL OF NON-FINANCIAL ASSETS

	2021 KES'000	2020 KES'000
Disposal of Motor vehicles	164	(453)

Disposal relates to sale of New Holland KAW 128Z and a laptop.

8. OTHER INCOMES

	2021 KES'000	2020 KES'000
Rental income	6,180	4,296
Miscellaneous Receipts	5,448	57,040
Decrease in provisions	2,678	32,294
Gain on Investment Revaluation-Kileleshwa	53,978	-
Company Machine Fleets	17,956	6,331
	86,240	99,960

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 (a) ADMINISTRATIVE EXPENSES

	2021 KES'000	2020 KES'000
Staff costs	644,098	720,891
Other costs	27,843	29,662
Legal and professional fees	16,630	11,014
Corporate social responsibility	269	193
Medical services	1,096	721
Travelling	4,888	5,921
Security	2,367	786
Books & Periodicals	10	12
Directors expenses	5,095	11,691
Honorarium	145	745
Repairs and maintenance	7,768	11,876
Rent and rates	18,413	18,045
Insurance	43,469	52,601
Cane safety expense	145	37
Bank charges	13,858	5,110
Contracted services	33,075	41,595
Telephones and communications	3,807	2,242
Audit fees	2,205	2,205
Stationery	3,936	1,918
Contingency	7,200	-
Donations	1,393	247
Fuel and lubricants	33,308	16,404
Motor vehicle running	15,866	11,309
Foreign Exchange Differences	33,950	99,229
Tax penalties	1,040,672	1,104,044
	1,961,506	2,148,497

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2021	2020
		KES'000	KES'000
9(b)	**STAFF COSTS**		
	Salaries and allowances	520,860	623,089
	Bonus	-	-
	Pension - defined contribution scheme	39,325	44,890
	Provident fund	-	-
	Staff overtime	1,004	496
	Staff training	1,153	30
	Casual labour	72,387	44,960
	Other staff costs	3,425	3,823
	Staff gratuity provision	-	-
	Pension - statutory defined contribution scheme	5,943	3,604
	Defined benefit scheme credit (note 18(b))	-	-
		644,098	720,891
		=======	=======
	The average number of employees at the end of the year was:		
	Permanent employees-Management	252	270
	Permanent employees-Unionisable	508	546
	Temporary and contract employees	2,060	1,823

10. MARKETING AND DISTRIBUTION COSTS

	2021	2020
Salaries and wages of sales personnel		
Advertisement and promotional expenses	1,319	582
Other Selling and distribution costs	1,403	417
	2,722	999
	=======	=======

11. LOSS BEFORE TAXATION

Loss before taxation is arrived at after:

	2021	2020
Charging:		
Staff costs (note 9 b)	644,098	720,891
Depreciation of property, plant and equipment (note 15)	468,419	497,897
Amortisation of intangible assets (note 16)	8,693	9,213
Directors' emoluments - Fees	-	-
- Other	-	-
Directors' expenses	5,240	12,436
Auditors' remuneration	2,205	2,205
Bad and doubtful debts	-	-
Profit(loss) on disposal of assets	(164)	453
Loss (Gain) on foreign exchange	33,950	99,229
Interest receivable	(3,944)	(2,986)
	-	
	=======	=======

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2021	2020
		KES'000	KES'000
12	FINANCE INCOME		
	Interest income:		
	On farmers balances	3,350	1,877
	On deposits with financial institutions	98	217
	On staff loans	496	892
		3,944	2,986

The interest income on farmers' balances relates to the interest the company charges farmers in relation to credit advanced for farm inputs. The company recovers these amounts from the amounts payable to farmers on harvested cane.

		2021	2020
		KES'000	KES'000
13	FINANCE COSTS		
	Interest expense	887,034	886,351

			2021	2020
			KES'000	KES'000
14		TAXATION		
	(a)	Taxation charge/(credit)		
		Current taxation based on the adjusted profit for the year at 30% - current year		-
		Deferred taxation credit (note 27)	-	-
		Prior year under provision of taxation recoverable		-
			-	-
	(b)	Reconciliation of expected tax based on loss before taxation charge/(credit)		
		Loss before taxation	(2,954,379)	(3,483,246)
	(c)	Taxation recoverable		
		At beginning of the year	(726)	(726)
		Paid in the year	-	-
		Charge for the year	-	-
		Prior year under provision of taxation recoverable		-
		At end of year	(726)	(726)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Factory building	Residential & school buildings	Plant & machinery	Tractors, trailers & heavy vehicles	Cars & motor cycles	Furniture, fittings & equipment	Computer system	Factory tools & implements	Water & electricity installation	Cane Roots	Capital WIP	Total
COST OR VALUATION	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000		KES '000	KES '000
At 1 July 2019	5,798,600	563,364	223,550	5,643,612	379,270	103,662	44,311	85,801	26,218	119,204	63,832	209,342	13,260,764
Additions					6,150		56	310			12,754	757	20,027
Revaluation							-	-		-		-	-
Transfer							-	-		-		-	-
Disposals					(1,800)	(11,935)		(317)					(14,052)
At 30 June 2020	5,798,600	563,364	223,550	5,643,612	383,620	91,727	44,367	85,794	26,218	119,204	76,586	210,099	13,266,743
At 1 July 2020	5,798,600	563,364	223,550	5,643,612	383,620	91,727	44,367	85,794	26,218	119,204	76,586	210,099	13,266,743
Additions					-		799	9,607			37,583	-	47,989
Revaluation												619	619
Transfer													
Reclassification											61,459	(6,190)	55,269
Disposals					(1,800)	-		(85)					(1,885)
At 30 June 2021	5,798,600	563,364	223,550	5,643,612	381,820	91,727	45,167	95,316	26,218	119,204	175,627	204,528	13,368,735

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land	Factory building	Residential & school building	Plant & machinery	Trailers Tractors& heavy vehicles	Cars & motor cycles	Furniture, fittings & equipment	Computer Hardware	Factory tools & implements	Water & electricity installation	Cane Roots	Capital WIP	Total
	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000
DEPRECIATION													
At 1 July 2019		189,924	41,468	1,875,322	284,677	69,195	19,366	37,309	9,177	56,979	46,182		2,629,599
Disposals	-	-	-	-	(961)	(6,096)	-	(96)	-	-		-	(7,154)
Charge for the year	-	37,344	9,104	376,829	26,219	5,633	3,750	7,273	2,556	9,334	10,641	-	488,684
At 30 June 2020	-	227,268	50,571	2,252,152	309,935	68,732	23,116	44,486	11,733	66,313	56,823		3,111,130
At 1 July 2020	-	227,268	50,571	2,252,152	309,935	68,732	23,116	44,486	11,733	66,313	56,823		3,111,130
Restated depreciation											3,413		3,413
Disposals	-	-	-	-	(1,034)	-	-	(28)	-	-		-	(1,062)
Charge for the year	-	33,611	8,649	339,146	19,840	5,749	3,308	7,625	2,173	7,934	40,387	-	468,419
At 30 June 2021	-	260,879	59,220	2,591,298	328,741	74,480	26,424	52,082	13,906	74,247	100,623		3,581,899
NET BOOK VALUE (Valuation)													
At 30 June 2021	5,798,600	302,486	164,330	3,052,314	53,079	17,246	18,743	43,233	12,312	44,958	75,004	204,528	9,786,836
At 30 June 2020	5,798,600	336,095	172,979	3,391,461	73,685	22,995	21,251	41,309	14,485	52,892	19,763	210,099	10,155,614

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

In 1977, the company was granted leasehold land registration East Bukusu/North Sang'alo/1904, East Bukusu/East Sang'alo/1444 and Ndivisi/Khalumuli/1459 and a 50-year land grant for land reference 4857/64 with effect from April 2002 from the Government of Kenya. In 2015, the leasehold land was valued at Kes. 6,028,600,000.00

Property, plant and equipment were revalued on 30 June 2015, by Real Appraisal Limited. Assets were revalued using the depreciated replacement cost method. Management is in the process of procuring a valuer to value assets as per the policy.

Capital work in progress mainly represents expenditure on incomplete factory works that were in progress at the end of the reporting period.

Depreciation charge for the year ended 30th June 2021 of Kes.468,419,000 has been apportioned between cost of sales of Kes.400,529,000 as per note 6, comprising of factory buildings, plant &machinery, trailers, tractors &heavy vehicles, water &electricity installation and on the face of profit or loss and other comprehensive income for the year ended 30 June 2021 page 1 of Kes.67,890,000,comprising: School/Residential buildings, Cars & motor cycles, Furniture &Fittings, Computer hardware, Factory tools & implements and cane roots.

16 INTANGIBLE ASSETS

COST	2021 KES'000	2020 KES'000
At 1 July		
Revaluation	172,295	181,508
Transfer from capital WIP	-	-
	172,295	181,508
AMORTISATION		
At 1 July		
Depreciation	57,979	48,766
Charge for the year	-	-
	8,693	9,213
At 30 June	66,672	57,979
NET BOOK VALUE	163,602	172,295

Intangible assets represent computer software costs, ERP software and antivirus software accounted as per IAS 38.Intangible assets are amortised over a period of 20years from 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 INVESTMENT PROPERTY

At fair value:		
At beginning of year	250,000	250,000
Fair value gain	53,978	-
At end of year	303,978	250,000

Locations and details of the investment property are LR No.4857/64/Kileleshwa in Nairobi area. Valuation of the property was carried out by Nairobi City County Government as per (Cap 266) Sec.9 (4) of the Valuation for Rating Act, Laws of Kenya.

18 DUES FROM OUTGROWERS

	2021 KES'000	2020 KES'000
Due from out-growers	212,449	390,266
Less: provision for doubtful debts	(152,817)	(350,157)
	59,633	40,109
Due within 1 year	39,755	26,739
After 1 year	19,878	13,370
	59,633	40,109

Due from out-growers relates to credit advanced to farmers towards farm inputs. The cane planted acts as collateral for the amount advanced. The cane planted takes a maximum of 18 months to harvest.

19 INVENTORIES

	2021 KES'000	2020 KES'000
Sugar and molasses	1,706	201,571
Sugar in process	25,207	19,397
Raw materials	7,189	4,810
Consumables	425,767	449,575
	459,869	675,353

	2021	2020
	KES'000	KES'000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 TRADE AND OTHER RECEIVABLES

Trade receivables	28,013	28,852
Less provision for doubtful debts	(24,914)	(24,914)
	3,099	3,937
Other receivables	141,691	141,278
Prepayments and deposits	37,893	30,025
Staff receivables	15,744	22,551
Less provision for doubtful debts	(169,295)	(142,743)
	29,132	55,048

21 SHORT TERM DEPOSITS

	2021 KES'000	2020 KES'000
National Bank of Kenya Limited	-	-
Standard Chartered Bank of Kenya Limited	-	320
	-	320

The effective interest rates was as follows:

	2021 %	2020 %
National Bank of Kenya Limited	7	7
Standard Chartered Bank of Kenya Limited	7	7

Short term deposits are held against letters of credit committed against ordered overseas items.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 BANK AND CASH BALANCES

		2021 KES'000	2020 KES'000
KCB - Bungoma Current A/C	1107813840	10,368	24,846
NBK - Bungoma Current A/C	01001054695600	1,955	3,527
NBK Savings A/C	01242054695600	0.088	3.9
Coop Current A/C	01120049157301	10,987	10,799
DTB Current A/C	0267463001	11,379	14,157
SCB SAFARI A/C	0152517955300	18,758	164
SCB Current A/C	0102417955300	1,238	6,659
SCB, Eldoret Fixed(Note 21)	Deal no.41617955300/41617955301	0	320
Receipts Before Banking	Company Receipts	574	602
Bungoma Petty Cash	Company Cash	95	17
TOTAL		55,355	61,095

Cash and bank balances are held at National Bank, Kenya Commercial Bank, Co-operative Bank of Kenya, Diamond Trust Bank and Standard Chartered Bank as at 30th June 2021.

23 ORDINARY SHARE CAPITAL

	2021 KES'000	2020 KES'000
Authorised: 30,000,000 ordinary shares of KES 20 each	600,000	600,000
Issued and fully paid: 27,150,000 ordinary shares of KES 20 each	543,000	543,000

24 REVALUATION RESERVE

The revaluation surplus represents the net cumulative surplus arising from revaluation of property, plant and equipment net of reclassification, adjustments, depreciation and deferred taxation. The revaluation surplus is non-distributable.

25 RETAINED EARNINGS (DEFICIT)

The retained earnings (Deficit) represent amounts available for distribution to the entity's shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 BORROWINGS

a) Loans

	2021 KES'000	2020 KES'000
National Treasury	40,612,284	39,757,414
Agriculture Food and Fisheries Authority (AFFA)	2,689,153	2,622,949
	43,301,437	42,380,363

The borrowings are repayable as follows:

	2021 KES'000	2020 KES'000
On demand or within 1 year	43,301,437	42,226,859
After 1 year	-	153,504
Total borrowings	43,301,437	42,380,363

The company has defaulted on loan repayments and the entire loan amount is due for repayment on demand.

b) Movement in loans

	2021 KES'000	2020 KES'000
At 1 July	42,380,363	41,241,280
Accrued interest	887,034	886,351
Interest paid	-	-
Foreign exchange difference	33,950	99,229
Loans received	-	153,504
Affa loan adjustment	89	-
At 30 June	43,301,437	42,380,363
This is made up of:		
Principal	12,544,135	12,544,135
Accrued interest	30,757,302	29,836,228
	43,301,437	42,380,363

26 BORROWINGS

The effective interest rates on the borrowings during the year were:

c) Interest rates

	2021 %	2020 %
The National Treasury	5.3	5.3
Agriculture Food and Fisheries Authority	10.9	10.9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

d) **Details of securities for borrowings**

The loans from The National Treasury and the Agriculture Food and Fisheries Authority are unsecured. These loans were advanced in tranches on diverse dates in the 1990's and have been long outstanding. The company has defaulted on repayment of both principal and interest in the past. The terms and conditions of the loan could not be satisfactorily established due to the lapse in time and the lack of complete records.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 DEFERRED INCOME TAXATION LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method using the current enacted tax rate of 30%.

	2021 KES'000	2020 KES'000
The net deferred taxation liability is attributable to the following items:		
Deferred taxation liabilities:		
Accelerated capital allowances	-	-
Fair value adjustment - biological assets	-	-
Revaluation surpluses	-	-
Total liabilities	-	-
Deferred taxation assets:		
Provision for service gratuity		-
Provision for staff leave pay		-
Unrealised exchange losses		-
General doubtful debts provision		-
Provision for obsolete stock		-
Tax losses available for offset against future profits		-
Deferred tax assets not recognised		-
Total assets		-
Total	3,885,282	3,885,282
The movement on the deferred taxation account during the year was as follows:		
At 1 July	3,885,282	3,885,282
Prior year adjustment (note 28)	-	-
As restated	-	
Charged to other comprehensive income	-	-
Profit or loss charge (note 8a)		
At 30 June 2020	3,885,282	3,885,282

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The deferred tax asset has not been recognised in the financial statements because of the uncertainty regarding the company's ability to generate sufficient taxable profits in the foreseeable future that will allow the deferred tax asset to be recovered. The directors consider it prudent not to recognise any deferred tax asset until the future of the company can be predicted reliably.

28 TRADE AND OTHER PAYABLES

	2021 KES'000	2020 KES'000
Trade payables	793,416	838,954
Due to out growers	605,632	473,001
Tax penalties	5,472,355	4,389,640
Sugar Development Levy	831,891	831,891
Accruals	1,886,206	1,578,133
Other payables	2,665,867	2,636,358
	12,255,366	10,747,978

29 RETIREMENT BENEFITS OBLIGATIONS

(a) AMOUNTS DUE TO STAFF PROVIDENT FUND

	2021 KES'000	**2020 KES'000**
Balance at the beginning of the year	198,628	201,993
Interest charge	-	-
Paid during the year	(22,943)	(3,365)
Balance at the end of the year	175,685	198,628

These are amounts payable to the Nzoia Sugar Company Staff Provident Fund and related to accrued retirement benefits and other gratuity benefits due to Unionisable employees up to the reporting date.

Following a government directive, the gratuity arrangement due to Unionisable staff members under the Collective Bargaining Agreement between the company and the Union, was terminated on 30 June 2012. Accrued member benefits as at this date were transferred to the provident fund. From 1 July 2012, the company's liability related to staff retirement benefits is limited to the amounts transferrable to the provident fund, and the company's monthly contributions to the provident fund on behalf of eligible members.

The company has however not transferred the retirement benefits amounts to the provident fund due to lack of funds. The unpaid amount due to the provident fund attracts interest at 7% per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 (b) DEFINED BENEFITS SCHEME ASSET (CONTINUED)

The company also operated a contributory defined benefit scheme for qualifying non Unionisable employees, with the company meeting the balance of the cost of providing the benefits under the scheme. The scheme was closed to new entrants and to future accrual of benefits with effect from 1 July 2007. The accrued (past service) benefits in respect of the scheme's in-service members at the closure date are revalued at 5% per annum over the period to retirement or earlier exit from service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Alexander Forbes Financial Services (EA) Limited. Normal retirement age for scheme members was assumed to be 60 years. The accrued liability in respect of pensioners was taken as the present value of the expected future pension payments. The principal assumptions used for the purposes of the actuarial valuations were as follows:

Interest rate per annum	13%
Rate of revaluation of deferred benefits (per annum)	5%
Rate of pension increases per annum	Nil
Retirement age (years)	60

	2021	2020
	KES'000	KES'000
The credit recognised in profit or loss in respect of the scheme is as follows:		
Current service cost		
Net interest on the net defined benefit asset		
Total included in staff costs in respect of scheme	======	======

Retirement Benefits Obligations

	2021	2020
	KES'000	KES'000
Actuarial gains		-
Return on plan assets		-
Change in effect of asset ceiling		-
Total (credit)/charge to other comprehensive income		-
	======	======

The amount of scheme assets over accrued liabilities in respect of the defined benefit scheme is as follows:

	2021	2020
	Sh'000	Sh'000
Value of accrued liabilities	-	-
Value placed on scheme assets	-	-
	-	-
	-	(45)
	=======	=======

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2021	2020
		KES'000	KES'000
30	**PROVISIONS FOR STAFF LEAVE PAY**		
	At the beginning of the year	36,535	47,612
	Movement in the year	(2,678)	(11,077)
	At the end of the year	33,857	36,535

31 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to cash generated from (used in) operations

	2021	2020
Loss before taxation	(2,954,379)	(3,483,246)
Adjustments:		
Finance income (note 12)	(3,944)	(2,986)
Finance costs (note 13)	887,034	886,351
Fair value gain investment property	53,978	-
Depreciation (note 15)	468,419	497,897
Amortisation (note 16)	8,693	9,213
Loss/ (gain) on disposal of property, plant and equipment	(164)	453
Foreign exchange difference on borrowings (note 26)	33,950	99,229
Fair value loss /gain on biological assets (note 5)	(133,334)	(2[illegible]3,266)
Cash used in operations before working capital changes	(1,639,747)	(2,256,[illegible]55)
Movements in:		
Out-growers balances	(19,523)	(47,49[illegible])
Inventories	215,484	90,[illegible]
Trade and other receivables	25,916	6,[illegible]
Staff provident fund	(22,944)	(3,[illegible])
Defined benefit obligation (note 29)	-	-
Trade and other payables	1,623,977	2,182,415
Provision for staff leave pay (note 30)	(2,678)	(11,077)
Cash generated (used in) operations	180,485	(38,60[illegible])

(b) Analysis of the balances of cash and cash equivalents

	2021	2020
Bank and cash balances (note 22)	55,355	60,775
Short term deposits (note 21)	-	320
	55,355	61,095

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 RELATED PARTY BALANCES AND TRANSACTIONS

a) Nature of related party relationships

Entities and other parties related to the company include those parties who have the ability to exercise control or significant influence over its operating and financial decisions. Related parties include management personnel, their associates, close family members and other government agencies.

The Company is related to;

(i.) The National Government
(ii.) The Ministry of Agriculture
(iii.) Board of Directors
(iv.) Key management
(v.) Sales and purchases from other government agencies

		2021	2020
		KES'000	KES'000
b)	**Due to related parties-Molasses Sales**		
	Agro-Chemical Company Limited	2,146	89
		=======	=======
c)	**Key management compensation**		
	The remuneration for key management during the year was as follows:		
	Salaries and other benefits	51,190	63,543
		=======	=======
d)	**Directors' remuneration**		
	Fees for services as directors		
	Directors Honorarium	145	745
	Directors' expenses	5,095	11,691
		=======	=======

33 CAPITAL COMMITMENTS

Commitments at the year-end for which no provision has been made in these financial statements:		
Authorised and contracted for	-	-
Authorised but not contracted for	45,000	876,778
	45,000	876,778
	========	=======

The capital commitments relate primarily to expenditure on factory improvement. The company intends to fund these commitments through internally generated funds and loans.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2021 KES'000	2020 KES'000
34	**CONTINGENT LIABILITIES**		
	Pending claims	60,000	52,500
	Letters of credit	-	-
		=======	=======

35 RISK MANAGEMENT POLICIES

Overview

The company's activities expose it to a variety of operational and financial risks. These activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the company's business and the operational risks are an inevitable consequence of being in business.

The company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The key types of financial risks include:

- Credit risk
- Market risk
- Liquidity risk

The key operational risks include political and environmental risks.

The company's financial risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and at the same time ensuring adherence to laid down limits. This is achieved by means of reliable and up-to-date information systems. The company regularly reviews its financial risk management policies and systems to reflect changes in markets and emerging best practices. The company's overall risk management program focuses on the unpredictability of changes in the business environment and seeks to minimize potential adverse effects of such risks on its financial performance within the options available in the Kenyan market by setting acceptable levels of risks. Financial risk management is carried out by senior management under the supervision of the Board of Directors. Management in conjunction with various committees then identifies, evaluates and addresses risks accordingly.

In addition, the company has an independent internal audit department which reports directly to the Board Audit Committee. This department is responsible for assessing the risk faced by the company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls that address these risks. The company does not enter into or trade in financial instruments, including derivative financial instruments, for either hedging or speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)

Credit risk management (Continued)

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The company is exposed to this risk in several areas including trade and other receivables and cash and cash equivalents. However, the company's credit risk is concentrated mainly in advances issued to farmers in the form of farming inputs and in trade receivables in the form of sugar debtors. The company gives advances to farmers in the form of farming inputs to facilitate sugarcane crop establishment and to improve the productivity of the growing crop. Advances to farmers are eventually deducted from the value of the cane delivered upon harvesting. The key risk is therefore that the yield from the crop will not be sufficient to cover the advanced credit.

The company counters this risk by placing significant emphasis on the vetting and selection of farmers. This is done with the aid of comprehensive and documented criteria which includes a review of farmers' payment histories. The company also monitors budgeted sales outputs and expected factory crushing capacity and also forecasts of expected environmental conditions to aid it in budgeting for these advances. However, the existence of favourable weather conditions will always remain outside the control of the company.

Political upheavals and general unrest also pose a risk to the company usually resulting in the burning of immature cane. Burning of immature cane reduces the quality and the quantity of the yield from such cane in addition to raising production costs and waste. While an element of this risk is outside the company's control, it has however sought to mitigate this risk by enhancing security in its nucleus estates. The company does not purchase burnt cane from farmers in order to discourage irresponsible burning of immature cane by farmers in order to readily obtain quick cash.

The bulk of the company's revenue relates to sugar sales. The company has a documented credit policy whose management and implementation is overseen by a Credit Committee. The Committee manages limits and controls concentrations of credit risk wherever they are identified. It structures the levels of credit risk it undertakes by placing limits on the amount of risk acceptable in relation to a debtor or categories of debtors. Such risks are monitored on a regular basis and are subject to regular reviews. Exposure to credit risk is managed through regular analysis of the ability of credit customers to meet their obligations and by adjusting the limits appropriately. The credit risk on trade receivables is further mitigated by requiring most credit customers to provide guarantees issued by reputable banks recommended by the company.

In measuring credit risk relating to trade receivables, the company therefore reflects three components:
The 'probability of default' by the customer or counter party on its contractual obligations; current exposures to the counter party and its likely future development, from which the company derive the 'exposure at default; and the likely recovery ratio on the defaulted obligations. With regard to impairment of outstanding receivables, it is the company's policy to assess/review all debts over 60 days for impairment and to provide for all debts where a debtor is declared bankrupt or facing financial difficulties. In some cases where an unsecured customer is in arrears the whole amount is provided for.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)

Credit risk management (Continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposure to credit risk represents a worst case scenario of credit risk exposure to the company at the end of the reporting period, without taking account of any collateral held or other credit enhancements attached. For reported financial assets, this exposure is based on net carrying amounts as reported in the statement of financial position.

Collateral
The collateral held for sugar debtors include guarantees from reputable banks recommended by the company. The credit risk on liquid funds is limited because the counterparties are commercial banks with high credit-ratings assigned by international credit-rating agencies. No collateral is held for advances to farmers.

The credit risk exposures are classified in three categories:

Neither past due nor impaired

The company classifies financial assets under this category for those exposures that are up to date and in line with contractual agreements.

Past due but not impaired
These relate to financial assets that have passed the contractual payment period but are expected to be recovered within reasonable timelines. These assets are not impaired and continue to be recovered with the active involvement of management. The collateral held for sugar debtors in this category includes guarantees from reputable banks recommended by the company.

Impaired
Impaired financial assets are those for which the company determines that it is probable that it will be unable to collect all payments due according to the contractual terms of the agreement(s). No collateral is held with respect to the debt, or the collateral doesn't sufficiently cover the exposure.
On an ongoing basis, a credit evaluation is performed on the financial condition of accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)

Market risk management

Market risk is the risk arising from changes in market prices, such as interest rate and foreign exchange rates which will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the company's management under the supervision of the Board of Directors.

(i) **Interest rate risk**

Interest rate risk arises primarily from borrowings, fixed and collateral deposits, cash and cash equivalents. The company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios.

(ii) **Currency risk**

The company undertakes certain transactions denominated in foreign currencies, mainly the US dollar and the Euro. This results in exposures to exchange rate fluctuations. The company however did not have balances denominated in foreign currency as at year end.

Liquidity risk management

This is the risk that the company will encounter difficulties in meeting its financial commitments from its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging the company's reputation. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has developed and put in place an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In addition, all major capital investments are funded by a mixture of equity and long-term debt.
The following table analyses the company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company may be required to pay. The tables include both interest and principal cash flows and exclude the impact of netting agreements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)

Credit risk management (Continued)

Analysis of credit risk exposure
The amount that best represents the company's maximum exposure to credit risk at the reporting date is made up as follows:

30 June 2021	Neither past due nor impaired KES'000	Past due but not impaired KES'000	Impaired KES'000	Total KES'000
Trade receivables	-	3,099	24,914	28,013
Due from outgrowers	-	59,633	152,817	212,449
Short term deposits	-	-	-	-
Bank balances	55,355	-	-	55,355
	55,355	62,732	177,731	295,817
30 June 2020				
Trade receivables	-	3,937	24,914	28,852
Due from outgrowers	-	40,109	350,157	390,266
Short term deposits	-	-	-	-
Bank balances	61,095	-	-	61,095
	61,095	44,046	375,071	480,213

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)
Liquidity risk management (Continued)

At 30 June 2021	1 – 6 Months KES'000	6 – 12 Months KES'000	Above 1 year KES'000	Total KES'000
Borrowings	-	43,301,437	-	43,301,437
Trade payables	-	793,416	-	793,416
Payables to out-growers	-	605,632	-	605,632
	-	44,700,485	-	44,700,485

At 30 June 2020	1 – 6 Months KES'000	6 – 12 Months KES'000	Above 1 year KES'000	Total KES'000
Borrowings	-	42,226,859	153,504	42,380,363
Trade payables	-	838,954	-	838,954
Payables to outgrowers	-	473,001	-	473,001
	-	43,538,814	153,504	43,692,318

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000	Total Sh'000
At 30 June 2021				
Property, plant and equipment	-	9,786,836	-	9,786,856
Biological assets	-	804,937	-	804,937
Investment property		303,978	-	303,978
	=======	========	=======	=======
At 30 June 2020				
Property, plant and equipment	-	10,155,614	-	10,155,614
Biological assets	-	805,366	-	805,366
Investment property		250,000	-	250,000
	========	=======	========	=======

There were no transfers between levels 1, 2 and 3 during the year.

b) Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the financial carrying amounts are a reasonable approximation of their fair values.

36 CAPITAL MANAGEMENT

The company's objectives when managing capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support business growth; and
- To safeguard the company's ability to continue as a going concern so that it can continue to provide adequate returns to its shareholders and value to all other stakeholders.

The capital structure of the company consists of debt, which includes the borrowings less cash and cash equivalents and equity attributable to equity holders, comprising issued capital, revaluation surplus and retained earnings. The Board of Directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital.

Based on the review, the company analyses and assesses the gearing ratio to determine the appropriate levels. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash and cash equivalents.

There have been no material changes in the company's management of capital during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36 CAPITAL MANAGEMENT

	2021	2020
	KES '000	KES '000
The gearing ratio at the year-end was as follows:		
Shareholders' deficit	(47,989,012)	(45,034,633)
Borrowings (note 26)	43,301,437	42,380,363
Short term deposits (note 21)	-	-
Cash and bank balances (note 22)	(55,355)	(61,095)
Net debt	43,246,082	42,319,268
Gearing ratio	Over 100%	Over 100%

37 INCORPORATION

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

38 CURRENCY

These financial statements are prepared in thousands of Kenya Shillings (KES '000), the company's functional currency.

PROGRESS ON FOLLOW UP ON AUDITORS RECOMMENDATIONS 2021

Area	Management Response	Implementation by
i) Property Plant and Equipment Included in the PPE of KES 12,096,771,000 2016/17 financial year was a plant with a carrying value of KES 295,697,000 which was procured between 1990-1993 but has been lying idle since acquisition and thus has not generated any income for the Company.	*We invited the Ministry of Public Works to value the idle assets for purpose of disposal and a reserve price was given for every item. The management is in the process of disposing the idle assets through competitive bidding.*	Chief Executive Officer/Factory Manager/Purchasing Manager
ii) Provisions and contingent liabilities As at the time of audit in 2016/17 financial year, independent confirmations from all company lawyers had not been received with regard to ongoing litigations, therefore the impact of outstanding cases could not be established.	The company is still following up on the confirmations sent to our lawyers through the company secretary.	Company Secretary
iii) Management of out-growers (farmers) balances The out-growers balances (farmers) are managed using the Agricultural Management Systems (AMS) which captures individual farmer records while the finance systems is using Systems Applications and Production (SAP)which maintains a control account of the total out-growers balances. The interface between the two systems is still manually done hence the records between the two are inconsistent. Therefore, there was a possibility that the out-growers balances recorded were not be accurate.	*The AMS system has captured the farmers' balances correctly and reconciliations are periodically done. The interface is what has not been completed though the process is on.*	Information Technology Manager/ Finance Manager
iv) The National Treasury Guaranteed loans As at 30/6/2017 the Government of Kenya through the National	*The government of Kenya through the privatization commission is in the process of writing off the loans. Management wrote to the*	Board of Directors/ Chief Executive Officer

Treasury loans guaranteed to the company's creditors stood at KES 36,289,427,006 comprising of accrued interest of KES 26,193,798,631 and Principal amount of KES 10,095,628,375. The Company has continued to default on repayments while there is no actionable evidence of write off.	*Ministry of Finance with a view of carrying out reconciliation of the loan amount before privatization is completed. Attached session Paper no.12 of 2012*	
v)		
vi) Loan from Agricultural and food Authority- KES 2,403,175,624.00 As at 30/6/2017 the Company had a loan from Agricultural and food Authority, for which the Company had not met its covenant terms. The principal and the interest had not been settled. Further, the Company had not remitted KES 856,603,000 to the Sugar Board as required by the Sugar Act No. 10 of 2001.	*The Company still owes formally Kenya Sugar Board the above amount for loans advanced and SDL. The cash flow constraints the company has been undergoing made it difficult to release the payment to KSB. Low sugar prices brought about by cheap sugar imports and high cost of production affected the ability of the company to meet most of its obligations including the loans. The government of Kenya through the privatization commission is in the process of writing off the loans.*	Board of Directors/ Chief Executive Officer
vii) Non-Remittance of taxes and other levies During the 2016/17 financial year, the Company did not clear outstanding payments of recovered balances OF Pay As You Earn (P-A-Y-E), Value Added Tax (VAT), Sugar Development Levy (SDL) and withholding taxes to the respective institutions notwithstanding the growing arrears and penalties of non-Payment.	*The tax arrears payable to KRA has not been cleared owning to challenges related to cash flows. The prices of sugar went drastically low to almost 50% of our cost of production and therefore making it difficult for us to honour our commitment of meeting the obligations as they fell due. The company has engaged the KRA office on the repayment structure once the company cash-flow improves.*	Chief Executive Officer

APPENDIX 1: PROJECTS IMPLEMENTED BY THE COMPANY

	Project/Contractor	Year of Budget	Budget (Ksh)	Contract Sum (Ksh)	Amount paid (Ksh)	Ongoing Jobs	%age Comp.	Remarks
1	Mayanja Twin Cell Culvert/ Kinde Eng.	2016/17	11,392,339.20	11,392,339.20	4,556,935.68	Work completed	100	Completed and waiting for Commissioning.
2	Design, manufacture, supply, installation & commissioning of syrup clarification plant/ Surviron	2011/12	60,000,000.00	38,700,000.00	24,572,811.00	Installed	100	Not Commissione due to Lack of Funds
3	Supply of 54TPH boiler modification/ Avant Garde Eng.	2015/16 2016/17	140,000,000.00	126,518,000.00	113,036,000.00	None	50	Items at the Port not Cleared due to Financial Constraints
4	Supply, installation & commissioning of mixed juice filtration system & rehabilitation of mud filters/ Shalini	2016/17	93,000,000.00	90,356,000.00	30,340,850.00	None	55	Mud Rehabilitation awaiting Comm Eng. Juic Filtration equipment yet t
5	Upgrade of one cane weighbridge PIC mounted to surface type./ Avery EA Ltd	2015	10,000,000.00	9,816,512.00	6,338,420.00	Completed	100	Contractor awaitir 20% payment on commissioning ar 10% retention.
6	ERP IMPLEMENTATION	2016/ 2017	282,600,000.00	282,600,000.00	212,800,000.00	Ongoing	80	Ongoing
	TOTAL		**596,992,339.00**	**559,382,851.00**	**391,645,016.00**			

APPENDIX 2: INTER COMPANY TRANSFERS

The Company had no inter-entity transfers as at the end of 30th June 2021

APPENDIX 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

The Company had no transfers from other Government entities as at the end of 30th June 2021