

REPUBLIC OF KENYA



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# REPORT

OF

## THE AUDITOR-GENERAL

ON

### NZOIA SUGAR COMPANY LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2025

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 01 APR 2026 DAY: Wednesday

TABLED BY:	Hon. Naomi Wago, MP Deputy Majority Whip
CLERK-AT-TABLE:	Mado Miriam



Sweetening Kenya  
since 1978

**nzoia sugar**  
Company Ltd



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

TEL:- 055 - 30500  
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**NZOIA SUGAR COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2025**



**Sweetening Kenya Since 1978**

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**Prepared in accordance with the IFRS Accounting Standards**

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

Table of Contents	Page
<b>ABBREVIATIONS AND ACRONYMS .....</b>	<b>ii</b>
<b>KEY COMPANY INFORMATION.....</b>	<b>iii</b>
<b>BOARD OF DIRECTORS .....</b>	<b>vii</b>
<b>KEY MANAGEMENT TEAM .....</b>	<b>x</b>
<b>CHAIRMAN'S STATEMENT .....</b>	<b>xiii</b>
<b>MANAGING DIRECTOR'S REPORT.....</b>	<b>xiv</b>
<b>STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025</b>	<b>xxi</b>
<b>CORPORATE GOVERNANCE STATEMENT .....</b>	<b>xxiv</b>
<b>MANAGEMENT DISCUSSION AND ANALYSIS.....</b>	<b>xxvii</b>
<b>ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....</b>	<b>xxxii</b>
<b>REPORT OF THE DIRECTORS .....</b>	<b>xxxiii</b>
<b>STATEMENT OF DIRECTORS' RESPONSIBILITIES.....</b>	<b>xxxiv</b>
<b>REPORT OF INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR NZOIA SUGAR COMPANY LIMITED .....</b>	<b>xxxv</b>
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2025.....</b>	<b>1</b>
<b>STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025 .....</b>	<b>2</b>
<b>STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025 .....</b>	<b>3</b>
<b>STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025.....</b>	<b>4</b>
<b>STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2025.....</b>	<b>5</b>
<b>NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>6</b>
<b>PROGRESS ON FOLLOW UP ON AUDITORS RECOMMENDATIONS.....</b>	<b>49</b>
<b>APPENDIX 1: PROJECTS IMPLEMENTED BY THE COMPANY .....</b>	<b>56</b>
<b>APPENDIX 2: INTER COMPANY TRANSFERS .....</b>	<b>57</b>
<b>APPENDIX 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....</b>	<b>57</b>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**ABBREVIATIONS AND ACRONYMS**

**BDC-** Business Development Committee

**CEO-**Chief Executive Officer

**CPA** -Certified Public accountant

**CSR-** Corporate Social Responsibility

**ESG** – Environmental and Sustainability Goals

**OSHA-** Occupational Safety and Health Act,2007

**FCB** - Fives Cail

**F&EC** -Finance and Establishment Committee

**HR&A-** Human Resource and Administration Committee

**FIM-** Finance Manager

**PRM-** Purchasing Manager

**IDB-** Industrial Development Bank

**TC/TS-** Total Cane over Total Sugar ratio

**KRA** – Key Results Areas

**N.E** – Nucleus Estate

**O.G** - Out growers

**MT-** Metric Tons

**TCH-**Tons Cane per Hectare

**EBIT-**Earnings before Interest and Tax

**IFRIC-** International Financial Reporting Interpretations committee

**FVTOCI-** Fair Value through other Comprehensive Income

**IAS-** International Accounting Standard

**EAC-**East Africa Community

**COMESA** –Common Market for Eastern and Southern Africa

**FTA** – Free Trade Area

**CIF** – Cost, Insurance and Freight

**KISCOL-** Kwale International Sugar Company Limited

**NSC LTD-**Nzoia Sugar Company Limited

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**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 1<sup>st</sup> 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 45, 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 process and sell sugar and its by-products;
- b) To establish and maintain sugarcane plantations in both the nucleus estate and out growers' scheme;
- c) To diversify product portfolio; and
- d) To maximize the efficiency of resource allocation.

**CORE VALUES**

The Company core values are:

- (a) **Customer Focus-** The Company shall remain helpful and courteous to customers, know customer needs and listen to all customers, maintain and build customer satisfaction with our products and service.
- (b) **Integrity-** The Company shall have a strong work ethic, honestly do our best at all times and address anything unethical at work
- (c) **Professionalism-** The Company and its Staff will build high competence in our work, effectively manage time and work duties, abide with the specifications, regulations and policy guidelines.
- (d) **Creativity and Innovation-** The Company will develop new and unique ways of working and press on to uncover value adding ways of working.

**Principal Activities**

The principal activities of the company are:

- (i) The production and sale of sugar and its co-products.
- (ii) To establish and manage sugarcane plantations and assist others to do so.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**KEY COMPANY INFORMATION ..... continued**

**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 12 senior managers. The company has a board of directors that provides policy and oversight of its operations on behalf of the shareholders.

**Fiduciary Management**

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

1	Chief Executive Officer	CPA Ezron Kotut
2	Company Secretary	Ms. Ritah Mukhongo
3	Agriculture Services Manager	Mr. Ignatius Wafula
4	Factory Manager	Mr. Kenyatta Ogeke
5	Internal Audit Manager	CPA Lucas Otene
6	Finance Manager	CPA Peter M. Simiyu
7	Sales & Marketing Manager	Ms. Edwina Omollo
8	Procurement Manager	Ms. Caroline Namunane
9	Human Resource Manager	Mr. Shadrack Masinde
10	ICT Manager	Ms. Damaris Shikanga
11	Agriculture Manager	Mr. Stanley Babikha
12	Public Relations Officer	Ms. Florence Mutinda
13	Quality Assurance Officer	Mr. Benson Khwatenge

**Fiduciary Oversight Arrangement**

The company has established key committees namely the Finance and establishment committee, Human Resource and administration committee, Business Development committee, Audit and Risk committee that are chaired by the Company Board members' .

*The committees receive reports from the company departments as per the board yearly plan for analysis and decision making on the company business environment.*

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**KEY COMPANY INFORMATION ..... continued**

**CORPORATE INFORMATION**

Hon. Alfred Khang'ati	- Chairman - Appointed on 17 <sup>th</sup> Feb 2023 - De-gazetted on 12 <sup>th</sup> May 2025
CPA Ezron Kotut	- Managing Director - Appointed on 10 <sup>h</sup> May 2023
Daniel Muimi	- IDB Capital-Appointed by virtue of office
Richard Njoba	- FCB - Appointed by virtue of office
Protus Khisa	- Alt to PS Ministry of Agriculture Livestock & Fisheries.
Elizabeth Mudukiza Iminza	- Appointed on 17 <sup>th</sup> February 2023, - De-gazetted on 12 <sup>th</sup> May 2025
Patrice Chumba	- Appointed on 17 <sup>th</sup> February 2023 - De-gazetted on 12 <sup>th</sup> May 2025
Millicent Anyango Abudho	- Appointed on 17 <sup>th</sup> February 2023 - De-gazetted on 12 <sup>th</sup> May 2025
Benson Madebe Chahasi	- Appointed on 17 <sup>th</sup> February 2023 -De-gazetted on 12 <sup>th</sup> May 2025
Bonface Okhiya Otsiula	- Appointed on 17 <sup>th</sup> February 2023 - De-gazetted on 12 <sup>th</sup> May 2025
Eunice Wanjiru Karanja	- Appointed on 17 <sup>th</sup> February 2023 - De-gazetted on 26 <sup>th</sup> July 2023
Carolyne Temoi	- Appointed on 27 <sup>th</sup> October 2023 - De-gazetted on 12 <sup>th</sup> May 2025
Okwakau Ino Jonathan	- Appointed on 17 <sup>th</sup> February 2023 - De-gazetted on 12 <sup>th</sup> May 2025
Cheryl Majiwa	- Appointed on 2 <sup>nd</sup> May 2023 -Alternate to CS National Treasury

**COMPANY SECRETARY** - Ritah Mukhongo  
P. O Box 285-00100  
Bungoma

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






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Email:md@nzoiasugar.com  
Website: [www.nzoiasugar.com](http://www.nzoiasugar.com)

**PRINCIPAL AUDITORS** The Auditor General  
P O Box 30084 - 00100  
Nairobi

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**






<b>BANKERS</b>	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	
<b>ADVOCATES</b>	Simiyu Makokha & Company Advocates P.O Box 104 Bungoma  Lumatete Muchai&Co.Advocates P.O.Box 90565-80100	Manyonge Wanyama & Associates Advocates Email: <a href="mailto:manyonge@gmail.com">manyonge@gmail.com</a>	

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

<p>6. Mr. Owakau Ino Jonathan</p> 	<p>Mr. Owakau Ino Jonathan is a health professional with over 26 years work experience. He has a bachelor of Science Environmental Health. Previous he served as a district public health officer in charge of Teso district from 1997-2009, Bungoma East 2009-2010, Programme officer at Afya House in 2011 and sub-county medical officer in charge of health at Ugenya district 2011-2019. Chief officer health and sanitation, county government of Busia 2020-2022.</p>
<p>7. Mr. Patrice Chumba</p> 	<p>Bishop Patrice Chumba has a degree in Theology with over 34 years' experience. He is currently the presiding Bishop of all AIC Churches in the Western and Rift region.</p>
<p>8. Mr. Richard Njoba</p> 	<p>Mr. Richard Njoba has experience of over 34 years' in the private sector dealing with the business of equipment supply, industrial agri-processors and support to strategic institutions. He is skilled in governance and entrepreneurship through various board seats in the manufacturing industry, banking industry, local and continental sports federation. He sits on the board as alternate director of Fives Cail (FCB).</p>
<p>9. Ms. Elizabeth Mudukizi Iminza</p> 	<p>Ms. Elizabeth Iminza has a diploma certificate in criminology and criminal justice from Masinde Muliro university of science and Technology and is currently pursuing a degree in the same course at the same university. She has worked at Postal Corporation of Kenya, Ministry of Interior and Co-ordination, a board member of Givole and Jepkoyai secondary schools. She has over 20 years' experience in the public sector.</p>
<p>10. Ms. Temoi Carlyne</p> 	<p>Ms. Temoi Carlyne replaced Ms. Eunice Karanja.</p> <p>She has over 25 years of work experience in program design and implementation, program evaluation, policy analysis, quality assurance and teaching.</p> <p>Currently she is undertaking a PhD in social work at the Catholic University of Eastern Africa, she holds a Master of Social Work Degree from Dominican University, USA and a Bachelor of Arts Degree from Kenyatta University. She is a lecturer at St Paul's University.</p>



**Nzoia Sugar Company Limited  
Annual Reports and Financial Statements  
For the year ended June 30, 2025**

**BOARD OF DIRECTORS**





<p>1. Hon. Alfred Khang'ati- Chairman</p> 	<p>Hon. Alfred Khang'ati holds a Masters in Building (Project) Management and B.A Hons in Land Economics from the University of Nairobi with over 30 years' experience in the leadership and management. He is a former Member of Parliament for Kanduyi constituency. He is a seasoned businessman with interests in the construction industry. He is skilled in governance and entrepreneurship and has been on various board in the banking industry, local and continental volleyball sports federation. He was appointed to the board on 17<sup>th</sup> February 2023.</p>
<p>2.CPA Ezron Kotut</p> 	<p>CPA Ezron Kotut is the acting Managing Director of Nzoia Sugar Company. He holds Master of Business Administration and Bachelor's degree in Management and Leadership from Management University of Africa. He is a Certified Public Accountant (K) and a Member of ICPAK. He has over 15 years' experience in the private sector and 15 years' experience in Sugar industry.</p>
<p>3.Mr. Benson Madebe Chahasi</p> 	<p>Mr. Benson Chahasi has an MBA in Management, BED in Arts and currently pursuing a Phd in Strategic Management. He has over 21 years' experience as a lecturer and an administrator.</p>
<p>4.Mr. Bonface O. Otsiula</p> 	<p>Hon. Bonface Otsiula holds Bachelor of Law Degree LLB, post graduate Diploma in Law and is an advocate of the High Court of Kenya with over 22 years' experience. He is a former KFF chairman Bungoma county. A former member of parliament for Bumula Constituency 2013-2017, Director at Nzoia Sugar Co.Ltd 2009-2012 and selection panellist SRC chair selection committee-March 2018.</p>
<p>5. Mr.Daniel Muimi</p> 	<p>Mr.Daniel Muimi has B.A Degree from the University of Nairobi. He is also a qualified Certified Public Accountant of Kenya (CPA-K) and Certified Financial Analyst (CFA) with over 10years experience in financial sector specializing in development finance. Currently he is the acting Deputy Director Investment Appraisal and Administration Kenya Development Corporation.</p>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**KEY MANAGEMENT TEAM**

<p>1. CPA. Ezron K Kotut</p> 	<p>CPA Ezron Kotut is the Managing Director of Nzoia Sugar Company. He holds Master of Business Administration and Bachelor's degree in Management and Leadership from Management University of Africa. He is a Certified Public Accountant (K) and a Member of ICPAK. He has over 15 years' experience in the private sector and 15 years' experience in Sugar industry.</p>
<p>2. Mr. Ignatius B Wafula</p> 	<p>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 over 21 years' experience.</p>
<p>3. Ms. Ritah Mukhongo</p> 	<p>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 18 years' experience in Legal matters. She took over on 15<sup>th</sup> January, 2018.</p>
<p>4. Mr. Kenyatta Ogeke</p> 	<p>Mr. Kenyatta Ogeke is the Acting Factory Manager. He holds BSc degree in Mechanical Engineering, registered as Graduate Engineer with ERB Kenya and currently pursuing a Master's in Business Administration – Operations Management with Masinde Muliro University. He also holds a certificate in Sugar Manufacture from RASITC, Mauritius. He has over 30 years' experience in the Sugar industry.</p>

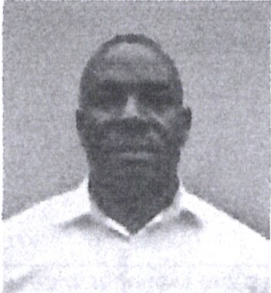




**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

<p>11. Ms. Millicent Anyango Abudho</p> 	<p>Ms. Millicent Abudho has a diploma in marketing from Kenya Institute of Management (KIM) with over 20 years' experience in the marketing profession. She has worked as a sales manager for Sleek Kenya Limited, East Africa Glassware Mart Limited, Wiselink Marketing agency and Healthfirst International.</p> <p>Ms. Abudho has attended various training and development courses namely Agriculture budget monitoring and advocacy course, management &amp; sales technique and training, customer relationship management programmes.</p>
<p>12. Mr. Protus Wanyonyi Khisa</p> 	<p>Mr. Protus Khisa has MSc. Soil Science/Agriculture degree from the University of Nairobi. He has over 25 years' experience working for the Ministry of Agriculture and Livestock Development.</p>
<p>13. Ms. Cheryl Majiwa</p> 	<p>Ms. Cheryl Majiwa holds a bachelors of Commerce ,Accounting &amp; Finance from Strathmore University and Masters of Business Administration (Strategic Management) from the University of Nairobi and a member of the ICPAK. She is the alternate Director of the National Treasury. She is the assistant director Investments and Portfolio Management, in the National Treasury.</p>
<p>14. Ms. Ritah Mukhongo</p> 	<p>Ms. Ritah Mukhongo is 42 years old, the Ag. 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 18 years' experience in Legal matters. She took over on 15<sup>th</sup> January 2018.</p>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

<p>10. Mr.Shadrack Masinde</p> 	<p>Mr. Shadrack Masinde is currently Ag. Human Resource Manager. He is a holder of Bachelor of Arts degree in Government and Public Administration, Member of CHRM. He has over 20 years' experience.</p>
<p>11. Ms.Caroline Namunane</p> 	<p>Ms.Caroline Namunane is the Procurement Manager with over 11 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).</p>
<p>12.CPA Lucas A Otene</p> 	<p>CPA Lucas Alwala Otene is the head of Internal Audit, He holds a master of Business Administration and Bachelor's degree in Business Administrations. He is a Certified Public Accountant (K) and a member of ICPAK. He has over 20 years' experience.</p>
<p>13. Mr. Benson W Khwatenge</p> 	<p>Mr. Benson Wafula Khwatenge is the Quality Assurance Officer. He holds Bachelor of Law Degree LLB, post graduate Diploma in Law and currently undertaking master's programme MBA. He has over 21 years' experience in Legal matters.</p>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

<p>5. CPA. Peter Simiyu</p> 	<p>CPA Peter Simiyu is the Acting Finance manager. He holds Masters of Business Administration and Bachelor's Degree in Commerce. He is a Certified Public Accountant (K) and a member of ICPAK. He has over 30 years' experience in the sugar industry.</p>
<p>6. Ms. Edwina A Omollo</p> 	<p>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 15 years' experience in sales and marketing.</p>
<p>7. Ms.Damaris Shikanga</p> 	<p>Ms.Damaris Shikanga is currently Acting Information Communication &amp; Technology Manager. She has over 20 years' experience in information systems and data security.</p>
<p>8. Mr.Stanley Juma</p> 	<p>Mr. Stanley Juma is the Acting Agriculture Manager. He holds a degree in Agriculture from the University of Nairobi and a certificate in Sugarcane Agronomy (RASITC-Mauritius). He was seconded to AFA Sugar Directorate from 2016 to 2022. He has over 30 years' experience in the field of agriculture.</p>
<p>9. Ms. Florence Mutinda</p> 	<p>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 13 years' experience.</p>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**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, 2025.

<b>Details-Months</b>	<b>Actual (Tons) 3 Month</b>	<b>Target (Tons) 3Month</b>	<b>Actual (Tons)-12 Months</b>	<b>Target (Tons)-12 Months</b>	<b>Previous Year (30th June 2024)</b>	<b>Variance (Actual against Target) for 12 Months as at 30<sup>th</sup> June 2025</b>	<b>%</b>
Factory Milled -12 Months	7,096	141,000	150,864	460,000.	162,294*	(309,136)	(67.21)
Turnover Volumes -12 Months	185.09	8,847	8,876.	41,667	10,264	(32,791)	(78.70)
Sugar Price Av. (Kes per Ton)	115,517	106,465	92,794.	106,465	107,813	(13,671)	(12.84)
TC/TS Average.	17.11	13.00	17.12	13	15.96	(4.12)	(31.69)

**INTERNATIONAL SUGAR MARKET**

Sugarcane area harvested is forecast up 2 percent to 418,000 hectares in 2025/26. The share directed toward sugar production is projected to slip 1 percent to 74 percent of total cane volume, with the remainder dedicated to ethanol production due to favourable domestic demand. Area expansion is concentrated mostly in Tucumán, where returns for sugarcane have been better than alternative crops such as soybeans.

Sugar exports are projected to decline due to lower beginning stocks and higher consumption. Domestic sugar consumption is projected up to 1.4 million tons due to an expected 5-percent recovery in gross domestic product. Top markets include the United States where, exporters have the 6<sup>th</sup> largest U.S. tariff rate quota (TRQ) allocation of 46,260 tons raw value, and Chile. Argentina is the 17<sup>th</sup> largest sugar exporter in the world.

**2024/2025 Sugar Overview**

**Global** sugar production is forecast up 8.6 million tons to 189.3 million with higher production in Brazil and India expected to more than offset lower European Union production. Exports are down with lower shipments expected from the European Union and Thailand. Ending inventories are forecast to rise due primarily to India and China.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**CHAIRMANS STATEMENT**

On behalf of the board of directors and management of the company allow me to present to you the annual report on the business and operations of the company and financial results for the year ended 30 June 2025. The performance of the company has continued to be impacted negatively by key industry challenges namely; lack of mature cane for milling, cane poaching, and high cost of production. Consequently, a negative result has been recorded once again.

However as a measure to revive and improve the sugar industry, the Government of Kenya successfully leased and handed over Nzoia Sugar Company Limited to West Kenya Sugar Company Limited on 10<sup>th</sup> May 2025. The Government of Kenya through the Ministry of Agriculture committed to pay salaries and wages for the current employees for 6 months from May 2025 to 31<sup>st</sup> October 2025 when the factory will fully transition to the new owner for a lease period of 30 years.

The Government also set up a Leasing Transition Committee (LTC) that will be operational for 12 months which is mandated to oversee and facilitate the smooth, lawful and transparent handover of all agreed assets, liabilities and workforce components from the lessor to the lessee ensuring protection of public interests and compliance with applicable Kenyan laws.

The committee shall be operational for 12 months post-lease signing or until all transition processes are completed to the satisfaction of the Lessor whichever comes first.

**INTERNATIONAL SUGAR MARKET**

Global sugar production is forecast up 8.6 million tons to 189.3 million with higher production in Brazil and India expected to more than offset lower European Union production. Exports are down with lower shipments expected from the European Union and Thailand. Ending inventories are forecast to rise due primarily to India and China.

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

**Local Sugar Markets**

Total sugarcane milled in May 2025 dropped by 4% to 383,050 MT from 398,908 MT in April and 715,528 MT in March 2025. The decline was recorded across all mills except Transmara, West Valley and Busia. During the review period, KISCOL, Naitiri, Chemelil, Nzoia and Muhoroni remained closed.

Sugar made decreased by 8% to 32,838 MT from 35,813 MT in April 2025 and 66,467 MT in March 2025. The industry average cane to sugar ratio (TC/TS) deteriorated to 11.66 in May from 11.14 in April 2025.

Total sugar produced (bagged) decreased by 9% to 32,760 MT in May 2025 from 36,194 MT in April. Sugar sales by millers decreased by 26% in May 2025, reaching 30,515 MT, down from 41,061 MT in April 2025.

**Source:** *Sugar Directorate Sugar Market Newsletter*

**Dividends**

Due to poor performance in the year under review, the Directors do not recommend the payment of dividends.

**Hon. Alfred Khang'ati**  
**Chairman, Board of Directors**

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

help fill the gap between supply and demand, despite higher domestic production. Consumption and exports are unchanged. Stocks are forecast up as consumption continues a slow rebound.

**Source:** <https://apps.usda.gov/psdonline/circulars>

### **Local Sugar Markets**

#### **Production.**

Total sugarcane milled in May 2025 dropped by 4% to 383,050 MT from 398,908 MT in April and 715,528 MT in March 2025. The decline was recorded across all mills except Transmara, West Valley and Busia. During the review period, KISCOL, Naitiri, Chemelil, Nzoia and Muhoroni remained closed.

Sugar made decreased by 8% to 32,838 MT from 35,813 MT in April 2025 and 66,467 MT in March 2025. The industry average cane to sugar ratio (TC/TS) deteriorated to 11.66 in May from 11.14 in April 2025.

Total sugar produced (bagged) decreased by 9% to 32,760 MT in May 2025 from 36,194 MT in April. Sugar sales by millers decreased by 26% in May 2025, reaching 30,515 MT, down from 41,061 MT in April 2025.

#### **Sugar Sales**

Sugar sales dropped by 11% in February 2025 to 66,151 MT from 74,000 MT in January 2025.

#### **Stocks.**

The review period ended with sugar closing stocks of 10,271 MT, up 23% from 8,348 MT in April 2025 and 13,133 MT in March 2025.

#### **Sugarcane Prices**

In May 2025, sugarcane prices were reviewed upward by the Interim Sugarcane Pricing Committee, from Ksh 5,300/ tonne to Ksh 5,500/tonne. The effective date for the revised price was 26th May 2025.

#### **Ex-Factory Sugar Prices**

The weighted ex-factory sugar price for May 2025 Increased by 9% to Kshs. 7,381 from Kshs. 6,791 per 50 kg bag in April and Kshs. 6,377 per 50 kg bag in March 2025. During the review period, ex-factory sugar prices showed a steady upward trend. The average daily price on 1<sup>st</sup> May was Kshs. 6,850 per 50kg bag, rising steadily to end of the month at Kshs. 7,525 per 50kg bag. Overall, the ex-factory prices during the month ranged between Kshs. 6,050 and Kshs. 8,000 per 50kg bag.

#### **Sugar Export**

In May 2025, total sugar exports were 7.81 MT, up from 2.15 MT in April 2025 and 35.33 MT in March 2025. Kenya is a net sugar deficit country, and most of its production is consumed locally.

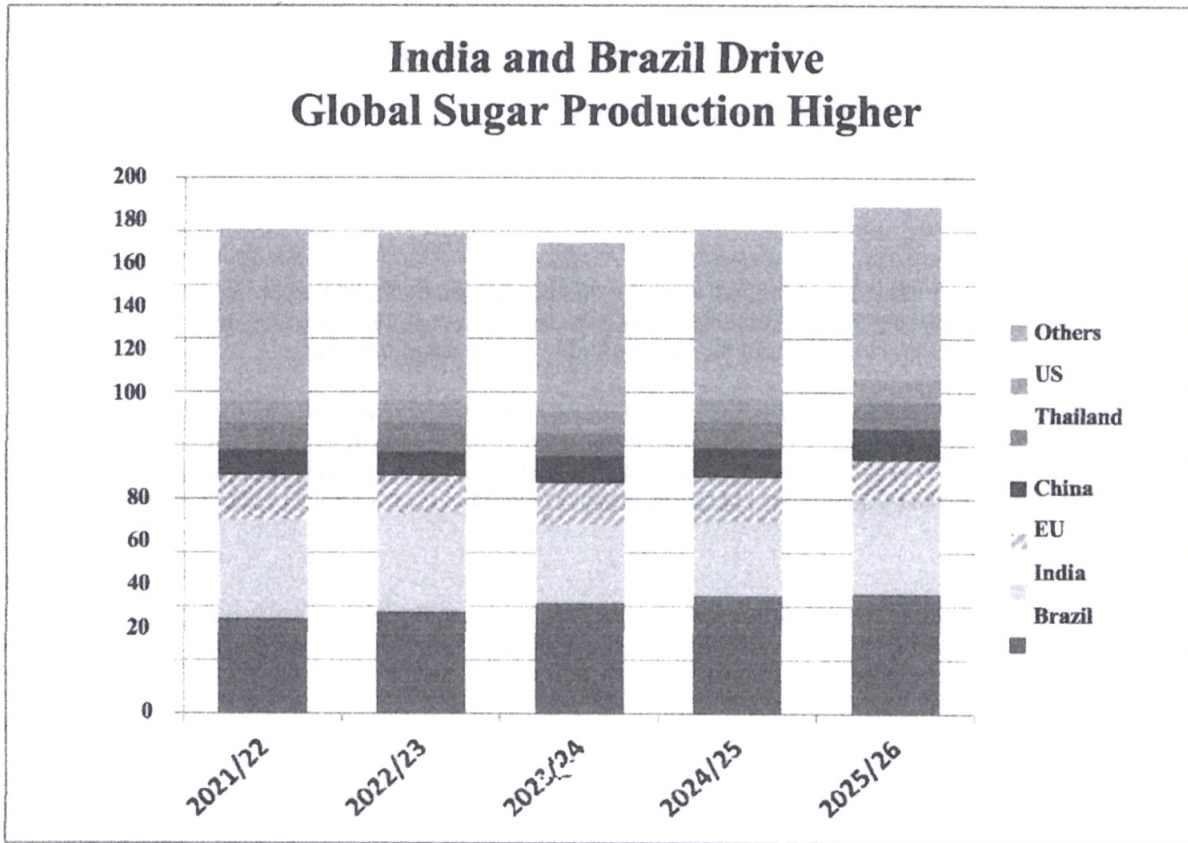
#### **Sugar Imports**

In May 2025, sugar imports totaled 53,447 MT, 19% up from 45,090 MT in April 2025. The imports comprised 33,701 MT of Mill White/Brown sugar and 19,746 MT of White Refined sugar. COMESA FTA countries supplied 18,271 MT, and COMESA non-FTA 1,505 MT. From the EAC, 23,207 MT was imported, from Uganda and Tanzania. The remaining 10,464 MT was sourced from non-COMESA countries.

#### **CIF Value**

In May 2025, CIF Mombasa landed values for imported White Refined sugar averaged Kshs. 86,999/MT compared to Kshs. 97,832/MT for Mill White/Brown sugar. The overall average value for both White Refined and Mill White/Brown sugar in May 2025 was Kshs. 93,830 per MT, up from Kshs. 86,481 /MT recorded in April 2025.

In May 2025, Mauritius was the leading exporter of White Refined Sugar to Kenya, accounting for 55% of the imports, at a CIF value of Kshs. 91,095 per tonne. White Refined Sugar from Uganda, was imported at CIF value of Ksh 123,025 per tonne



**U.S.** production is forecast down slightly to 8.4 million tons. Imports are forecast lower based on projected quota programs set at minimum levels consistent with World Trade Organization and free-trade agreement obligations, and on projected imports from Mexico, re-exports, and high-tier tariff imports. Consumption is unchanged while stocks are reduced mostly due to lower imports.

**Brazil** production is forecast up 1.0 million tons to a record 44.7 million with expected higher sugar yield due to favorable weather. The sugar/ethanol production mix is expected to favor ethanol relative to the previous season, falling from 51 percent to 49 percent for sugar and rising from 49 percent to 51 percent for ethanol. Consumption is forecast to fall slightly while exports are up with higher production.

**European Union** production is forecast to fall 9 percent to 15.0 million tons as sugar beet area is expected to be down 10 percent mainly among top producers such as France and Germany. Consumption and ending stocks are relatively unchanged from the prior year. Imports are up with lower production while exports are forecast down.

**Thailand** production is forecast up 2 percent to 10.3 million tons due to increased sugarcane production and cane sugar yield. Consumption continues to rise but at a slower rate due to lower demand from export-oriented food processors. Exports are forecast to drop due to competition from other large exporters such as Brazil while stocks are expected to be flat.

**India** production is estimated to jump over 25 percent to 35.3 million tons on favorable weather and increased area. Consumption is anticipated to rise, driven by food service sector growth, while exports and stocks are both up with the increase in supply.

**Australia** production is forecast to decrease 50,000 tons to 3.8 million (the lowest level in over a decade) due to unfavorable weather which hindered sugarcane development and replanting. Consumption is forecast to increase in line with population growth while exports are forecast higher while drawing down stocks.

**China** production is forecast up 500,000 tons to 11.5 million as sugarcane area is expected to rise and sugarbeets are expected to benefit from favorable weather. Imports are forecast to rise to

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**FINANCIAL PERFORMANCE**

On Financial performance, the following parameters were recorded;

Details	3 Months Actual (Kes.)	3 Months Target ( Kes.)	12 Months Actual (Kes)	12 Months Target (Kes)	Previous Year (30th June 2024)	Variance Actual 12 Month & Target 12 Months	%
Total Turnover (Net)	16M	1.18B	872M	4.7 B	1.17B	(2.267 )B	(73)
Sugar Sales (Net)	15M	1.1B	824M	4.4 B	1.1B	(2.15 )B	(73)
Molasses Sales (Net)	1M	62M	48 M	248 M	62.7M	(119)M	(72)
Cost of Production (Kes/Ton)	1.1M	94,693	222,410	94,693	225,998	(114,050)	(124 )
EBIT(Kes-Million)	(176)M	185M	(751)M	738 M	(968)M	(1,489)M	(201)

**Achievements for the twelve months ended 30th June, 2025 are as follows:**

- On 10<sup>th</sup> July 2024 the company received funds from the Government of Kenya through Agriculture Food Authority (AFA) to clear farmer's arrears and three months' salary arrears of employees at Kes. 56.6 million and Kes. 150 million respectively.
- On 9<sup>th</sup>, December 2024 the company received funds from the Government of Kenya through Agriculture Food Authority (AFA) to clear one month salary arrears for the employees at Kes. 50 million and additional Kes. 46 million for factory maintenance.
- On 12<sup>th</sup> May 2025 the company received Kes.150 million from the Government of Kenya through Kenya Sugar Board (KSB) to clear employee salaries and wages for the month of June 2022, February, March and April 2025.The salary and wages for the month of May 2025 totalling Kes.50 million was also paid on 18<sup>th</sup> June 2025.
- The company received support from the Government of Kenya through Agriculture Development Corporation (ADC) that carried out cane development in the Nucleus Estate. A total of 258.71 hectares were ploughed, harrowed, furrowed and fully planted.
- Purchased 922 bags of subsidized fertilizer and all of it was used for application in nucleus estate.
- The company maintained industrial harmony despite the difficult operating environment.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

The CIF value of Mill White/Brown sugar imported from Uganda averaged Kshs. 106,998 per tonne.

**Source: Kenya Sugar board Newsletter**

**Global Economic Outlook in 2025**

Our World Economic Outlook's *reference forecast* includes tariff announcements between February 1 and April 4 by the US and countermeasures by other countries. This reduces our global growth forecast to 2.8 percent and 3 percent this year and next, a cumulative downgrade of about 0.8 percentage point relative to our January 2025 WEO update. We also present a global forecast excluding the April tariffs (pre-April 2 forecast). Under this alternative path, global growth would have seen only a modest cumulative downgrade of 0.2 percentage point, to 3.2 percent for 2025 and 2026.

Finally, we include a model-based forecast incorporating announcements made after April 4. Over that period, the United States temporarily halted most tariffs while raising those on China to prohibitive levels. This pause, even if extended indefinitely, does not materially change the global outlook compared to the reference forecast.

This is because the overall effective tariff rate of the United States and China remains elevated even if some initially highly tariffed countries will now benefit, while policy-induced uncertainty has not declined.

Despite the slowdown, global growth remains well above recession levels. Global inflation is revised up by about 0.1 percentage point for each year, yet the disinflation momentum continues. Global trade was quite resilient until now, partly because businesses were able to re-route trade flows when needed. This may become more difficult this time around. We project that global trade growth will dip more than output, to 1.7 percent in 2025—a significant downward revision since our January 2025 WEO Update.

**Source: World Economic Outlook Update**

**Kenya Economic Outlook in 2025**

Kenya's GDP is projected to grow 5.4% in 2024 and 5.6% in 2025, driven by services and household consumption. Inflation is expected to fall to 6.2% in 2024 and 5.5% in 2025, as food and global inflation both decline. Monetary policy is expected to be accommodative due to projected stable inflation and exchange rates.

The fiscal deficit is projected to narrow to 5.9% of GDP in 2024 and 5.0% in 2025 in response to a revenue-led fiscal consolidation program. The current account deficit is projected to narrow to 4.6% of GDP in 2024 and 4.5% in 2025 as a recovery in global trade reduces the trade deficit.

However, the outlook is subject to considerable risks, including tight global financing, drought, political instability in neighbouring countries, and slow recovery of global growth. Risk mitigation measures in the medium to long term include building fiscal and external buffers (e.g., foreign exchange reserves), strengthening disaster preparedness, and accelerating structural transformation.

**<https://www.worldbank.org/en/country/kenya/overview>**

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**Challenges for the period under review were as follows:**

- Cash flow constraints delayed acquisition of fertilizers in the Nucleus Estate to improve on cane yields that are below target of 55 TCH.
- Delayed payments of staff, suppliers and farmers.
- High cost of production due to lack of Factory maintenance.
- Cane transport contractors go slow.

**WAY FORWARD**

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

a) **Short term measures**

<u>MEASURE</u>	<u>ACTION</u>	<u>LEVEL OF ACTIVITY</u>	<u>RESPONSIBILITY</u>
Targeted maintenance to improve efficiency	Two new boiler pumps & two rollers were fitted, Grantry crane parts were fitted & ID Fan Shaft.3 <sup>rd</sup> quarter :- Ordered for Boiler tubes & 7 more rollers.Rollers at Port but tubes in Transit	90%	<b>Factory Manager</b>
Expand area under cane with early maturing cane in both nucleus & OG	N/E planted total of 284.62 ha of early maturing in 3 month. OG planted 399 ha	30%	<b>Agriculture Manager</b>
Enhance farmers extension services on latest technology in Cane development	This was undertaken through public barazas, individual farm visits:- 345 farmers visited so far in the 9 months	50%	<b>Agriculture Manager</b>
Source for individual contractors & repair of our fleet	Recruited 75 individual contractors  Repaired a total of 5 company fleet. 3 running now.	70%	<b>Agriculture Services Manager</b>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**Long term Measures**

<b><u>MEASURE</u></b>	<b><u>ACTION</u></b>	<b><u>LEVEL OF ACTIVITY</u></b>	<b><u>RESPONSIBILITY</u></b>
Cost optimization	Cost optimization across value chain to reduce on cost of production. At least 15% cost efficiency per annum	Continuous	<b>ALL HODS</b>
Factory Optimization	Waiting for delivery of rollers & boiler tubes to do min maintenance	45%	<b>Factory Manager</b>
Revenue growth	Revenue growth as per Strategic plan is ear marked at 15%. Compared with same time last year the compay surpassed the company surpassed the target	100%	<b>All HODs</b>
Area under Cane	The area under cane increased in three months by 9 ha	20%	<b>Agriculture Manager</b>
Build high performance and productive teams.	Structured staff training, development, reward and recognize productive teams.	20%	<b>Human Resource Manager</b>



**CPA EZRON KOTUT**  
**MANAGING DIRECTOR**

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025**

The company has six Key Result Areas (KRAs) and objectives within its Strategic Plan 2023/2024-2027/2028. These KRAs are as follows:

KRA 1: Increase capacity utilization by at least 15% p.a.

KRA 2: Maintain average TC/TS ratio below 12 p.a.

KRA 3: Attain average TCH of 65 (O.G) and 70(N.E) p.a.

KRA 4: Grow annual revenue by at least 15%

KRA 5: Attain at least 15% cost efficiency p.a.

KRA 6: Build high performance productive teams

**Analysis of achievement of performance targets for the FY 2024/2025**

<u>Strategic Pillar</u>	<u>Strategic Objective</u>	<u>Key Performance Indicator</u>	<u>Key Activity</u>	<u>Key Achievements</u>
KRA 1: Increase capacity utilization by at least 15% p.a	Develop and maintain at least 25,000 ha of cane p.a  Develop and implement viable farmer support program  Implement effective routine and annual factory maintenance and modernization	Increased cane harvest/supply	Develop dedicated sugarcane development team and partner with farmer stakeholders  Synchronize harvesting and milling schedules  Balance use of own transport fleet and leased fleet  Model optimum factory maintenance schedule.	A total of 399 ha of early maturing cane was planted in the nucleus estate and 1,956 ha in the out-growers region.  Individual farm visits were undertaken where 3,226 farmers visited in the financial year 2024/2025  75 individual contractors recruited and 5 company fleet repaired.  Two new boiler pumps, two mill rollers, ID Fan shaft and parts for Gantry crane were fitted.
KRA 2: Maintain average TC/TS ratio below 12 p.a.	Consistent supply of adequate quality raw materials to be milled within 48 hours.  Minimize unplanned factory stoppages, extraneous matter, eliminate factory related leakages and maintain optimum factory time	Increased factory efficiency	Develop dedicated sugarcane development team and partner with farmer stakeholders  Synchronize harvesting and milling schedules  Maintain factory in optimum working conditions	Individual farm visits were undertaken where 3,226 farmers visited in the financial year 2023/2024  75 individual contractors recruited and 5 company fleet repaired.  Two new boiler pumps, two mill rollers, ID Fan shaft and parts for Gantry crane were fitted.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

	efficiency.			
KRA 3: Attain average TCH of 65 (O.G) and 70(N.E) p.a.	Increased farm yield	High farm productivity	<p>Enhance farmer agriculture services support</p> <p>Plant commercialized high yield cane varieties</p> <p>Maintain approved weed control schedules</p> <p>Enhance agriculture extension services to farmers</p>	<p>A total of 399 ha of early maturing cane was planted in the nucleus estate and 1,956 ha in the out-growers region.</p> <p>Individual farm visits were undertaken where 3,226 farmers visited in the financial year 2024/2025</p> <p>75 individual contractors recruited and 5 company fleet repaired.</p> <p>Sencor and round up herbicides were procured and used in the control of weeds</p> <p>Outreach offices were fully operational; field officers served farmers directly from the farmers and out-grower regions.</p>
KRA 4: Grow annual revenue by at least 15%	<p>Optimum utilization of nucleus estate.</p> <p>Factory efficiency,</p> <p>Competitively price products and services, partner with other stakeholders.</p> <p>Attain marketing and sales efficiency</p>	Increased sugarcane production, factory efficiency time and revenue	<p>Benchmark nucleus estate operations to regional best practices</p> <p>Maximize sugar recovery efficiency</p> <p>Monitor market price</p> <p>Identify and tap pockets of growth</p>	<p>A total of 399 ha of early maturing cane was planted in the nucleus estate.</p> <p>Repair of branding machine initiated to grow the branded percentage to 40%.</p>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**CORPORATE GOVERNANCE STATEMENT**

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.

**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 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.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

<p>KRA 5: Attain at least 15% cost efficiency p.a.</p>	<p>Reduce and effectively manage all operational costs</p> <p>Effectively use Public Private Partnership</p>	<p>Increased cost efficiency</p>	<p>Use value for money measures in all operations</p> <p>Acquire and install modern plant</p>	<p>All departmental heads have rationalized casual labor, controlled overtime and paper work in their departments.</p>
<p>KRA 6: Build high performance productive teams</p>	<p>Enhance board capacity</p> <p>Implement structured staff training and development</p> <p>Reward and recognize productive teams</p>	<p>Increased operational efficiency</p>	<p>Institute annual work plans</p> <p>Cascade annual operations to departments and individual employees</p> <p>Develop team and individual reward and recognition policy</p>	<p>Board workplans developed and the board was evaluated during the year 2024-2025.</p> <p>Development and approval of the human resource policy instruments.</p>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**CORPORATE GOVERNANCE STATEMENT.....Continued**

**BOARD COMMITTEES**

<b>Name of the Committee</b>	<b>Members</b>
Finance and Establishment Committee	i) Hon. Bonface Okhiya Otsiula -Chair ii) Mr. Okwakau Ino Jonathan - Member iii) Mr. Richard Njoba - Member iv) Ms. Millicent Anyango - Member v) Ms. Carolyne Temoi - Member vi) Treasury representative - Member vii) Ms. Theodora Gichana - Member
Human Resource and Administration Committee	i) Mr. Kwakau Ino Jonathan - Chair ii) Bishop Patrice Chumba - Member iii) Ms. Carolyne Temoi - Member iv) Mr. Daniel Muimi - Member v) Hon. Bonface Okhiya Otsiula - Member vi) Mr. Protus Wanyonyi Khisa - Member vii) Ms. Theodora Gichana - Member
Business Development Committee	i) Ms. Millicent Anyango Abudho - Chair ii) Mr. Benson Chahasi - Member iii) Ms. Elizabeth Mudukiza - Member iv) Mr. Richard Njoba - Member v) Mr. Protus Wanyonyi Khisa - Member vi) Ms. Theodora Gichana - Member
Audit and Risk Committee	i) Mr. Daniel Muimi - Chair ii) Bishop Patrice Chumba - Member iii) Ms. Elizabeth Mudukiza - Member iv) Mr. Benson M. Chahasi - Member v) Treasury representative - Member vi) Ms. Theodora Gichana - Member

Schedule of meetings held during the period

Main Board	Ordinary	1
	Special	2
BDC	Ordinary	1
	Special	0
HR & A	Ordinary	2
	Special	1
F& EC	Ordinary	1
	Special	0
Audit	Ordinary	1

**Note:** The Board was appointed on 17<sup>th</sup> February, 2023.

The Board mandate was revoked on 12<sup>th</sup> May 2025 as per Gazette notice no.5949/5950/5944

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**CORPORATE GOVERNANCE STATEMENT.....Continued**

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.

**Board Meetings**

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. The board's life ended on 12<sup>th</sup> May 2025.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**iv. The overall targeted cane yield of 55 TCH**

The overall target cane yield of 55.00 TCH was not achieved due to harvesting of young cane and cane that was not supplied with adequate fertilizers. The target yield for Nucleus Estate of 35 TCH was not achieved against the actual yield of 27.86 TCH. The overall cane yield was 30 TCH due to low TCH in the Nucleus Estate that affected the overall cane yield (Most harvesting was done in the Nucleus Estate during the quarter). There is need to procure adequate inputs i.e. fertilizers and herbicides to take care of cane nutrition and weed control to enhance yields (TCH).

**v. Way forward**

- Source adequate funds for cane development to enable acquisition of adequate farm inputs and increase area under cane.
- Improve service delivery to Outgrowers farmers including prompt payment for cane delivery, supply of inputs and enhance extension services.

**2. FACTORY DEPARTMENTS**

In the period under review (from 1<sup>st</sup> July 2024 to 30th June 2025), the company milled 151,689.07 tons of cane against a target of 460,000 tons resulting to a negative variance of 308,310.93 tons of cane and produced 8,784 tons of sugar worth Kes. 815 Million against a target of 41,667 tons worth Kes. 4.4 Billion giving a negative variance of 32,883 tons worth Kes 3.5 Billion. The TC/TS averaged 17.12 against a target of 13.00 giving a negative variance of 4.12.

**a) KEY PERFORMANCE INDICATORS FOR 2024/ 2025**

Parameter	Actual 2024/2025	Target 2024/2025	Actual 2023/24	Variance	%
Cane Received ( Tons)	150,839.00	460,000.00	84,296	(309,161)	(67.21)
Cane Milled (Tons)	151,689.07	460,000.00	83,958	(308,310.93)	(67.82))
Sugar Bagged (Tons)	8,784.072	41,6667	5,041	(32,882.93)	(78.92)
TC/TS	17.12	13.00	16.10	(4.12)	(31.69)
Factory Time Efficiency	42.71	86.00	49	(43.29)	(50.33)
Pol in Cane (%)	9.75	11.50	10.42	(1.75)	(15.22)

Cane milled and sugar bagged for the period under review was below target due to;

- i. Lack of critical spares for replacement of worn out equipment affecting factory time efficiency and sugar recoveries
- ii. Lack of cane in the yard for milling.
- iii. Low pol in Cane.

**b) AREAS OF CONCERN IN THE FACTORY**

- i. Boiler 3 and 2 tube failures causing lots of downtime in operations. Boiler 3 is weak on the main bank tubes as tubes are worn.
- ii. Late delivery of consumable is affecting operations. We have noted case pf late delivery of boiler chemicals, Lime both for process and effluent treatment. Lubricants have also currently fallen in this

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**1. AGRICULTURE DEPARTMENT**

A summary of the achievements for the 12 months from 1<sup>st</sup> July to 30th June, 2025

PERFORMANCE PARAMETERS	ACTUAL			TARGET			VARIANCE	%VARIANCE
	12 MONTHS 2024/25			12 MONTHS 2024/25				
	OG	N/E	TOTAL	OG	N/E	TOTAL		
Area under cane (Ha)	14,555	1,516	<b>16,072</b>	22,650	5100	<b>27,750</b>	<b>(11,678)</b>	<b>(42.08)</b>
Surface Planted (Ha)	1956	399	<b>2,355</b>	2,250	562	<b>2,812</b>	<b>(457)</b>	<b>(16.25)</b>
NPK (50 Kgs Bag)	0	200	<b>200</b>	1,500	2,250	<b>3,750</b>	<b>(3,550)</b>	<b>(94.67)</b>
MAVUNO (50 Kgs Bag)	0	272	<b>272</b>	1500	2,250	<b>3,750</b>	<b>(3,478)</b>	<b>(92.75)</b>
UREA (50 Kgs Bag)	0	450	<b>450</b>	3000	4,500	<b>7,500</b>	<b>(7,050)</b>	<b>(94)</b>
Mean cane Yield (TCH)	53	26.86	<b>30</b>	60	35	<b>55</b>	<b>(25)</b>	<b>(45.46)</b>

**PERFORMANCE FOR 3 MONTHS**

PERFORMANCE PARAMETERS	ACTUAL			TARGET			VARIANCE	%VARIANCE
	3 MONTHS 2024/25			3 MONTHS 2024/25				
	OG	N/E	TOTAL	OG	N/E	TOTAL		
Area under cane (Ha)	14,555	1,516	<b>16,072</b>	15,100	3,400	<b>18,500</b>	<b>(2,428)</b>	<b>(13.13)</b>
Surface Planted (Ha)	272	0	<b>272</b>	500	25	<b>525</b>	<b>(253)</b>	<b>(48.19)</b>
NPK (50 Kgs Bag)	0	0	<b>0</b>	500	750	<b>1,250</b>	<b>(1,250)</b>	<b>(100)</b>
MAVUNO (50 Kgs Bag)	0	0	<b>0</b>	500	750	<b>1,250</b>	<b>(1,250)</b>	<b>(100)</b>
UREA (50 Kgs Bag)	0	0	<b>0</b>	1000	1,500	<b>2,500</b>	<b>(2500)</b>	<b>(100)</b>
Mean cane Yield (TCH)	53	27.86	<b>30</b>	60	35	<b>55</b>	<b>(25)</b>	<b>(45.45)</b>

**i. Area under cane**

The total area under cane of **16,072.13 Ha** was below target due to cane out of cycle and abandonments both in the Outgrowers and Nucleus Estate. Cane planting to replace sugarcane out of cycle is yet to pick up due to limited resources

**ii. Cane Planting**

During the period, 272.08 Ha was planted in the Outgrowers of which 5.86 Ha was surveyed and 266.22 is awaiting survey. A surface of 272.08 Ha was achieved against a target of 525 Ha for the quarter.

**iii. Fertilizer**

During the quarter, we did not apply any fertilizer to our cane due to financial constraints. The performance was poor compared to the previous quarter, however, there is room for improvement. In the Outgrowers, farmers were advised to purchase fertilizer from National Cereals and Produce Board at subsidized prices.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

bad bracket. We request that PRM and FIM work together to ensure these consumables alongside others such as hard facing electrodes.

- iii. Fiberisor turbine is weak and wasting a lot of steam due to worn out rotor. This has caused reduced cane blanket into the mills as the Fiberisor runs at reduced efficiency as a result of worn out rotor. The Manufacturer is yet to give offers for the rotor. PRM to follow up for offers from the manufacturer.
- iv. The company cane stacker availability has lately become poor. Its frequent withdrawals affect operations at the yard. It currently down on defective transmission.
- v. High staleness due to slow cane transportation to the yard, and frequent factory breakdowns.

**c) ACHIEVEMENTS**

- i. Two boiler feed water pumps were delivered and have been installed and commissioned. We have used them in operations for most of the month of March, 2025.
- ii. Boiler tubes from Messrs Bikson Privilege of India have been manufactured and ready for shipment. Expected at Mombasa port.
- iii. Mill roller shell from Messrs. Kristna of India arrived at the port of Mombasa awaiting clearance. Clearance affected by limited cash flow.

**d) WAY FORWARD**

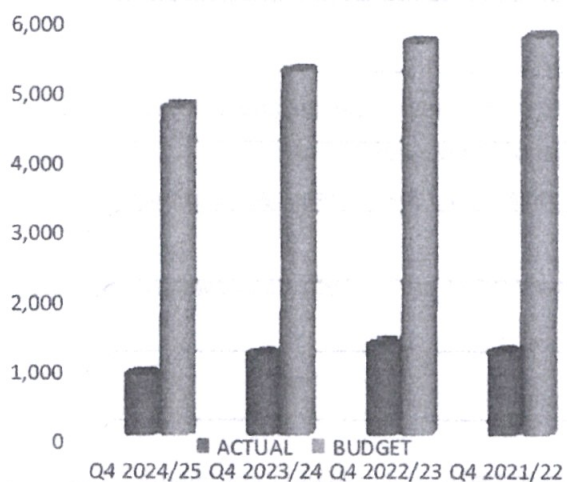
- i. To undertake on the run maintenance in weak areas of high risks to operations.
- ii. To undertake complete annual maintenance as soon as possible.
- iii. To procure and avail the critical spares/materials and replace the worn-out equipment to improve performance/efficiency

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

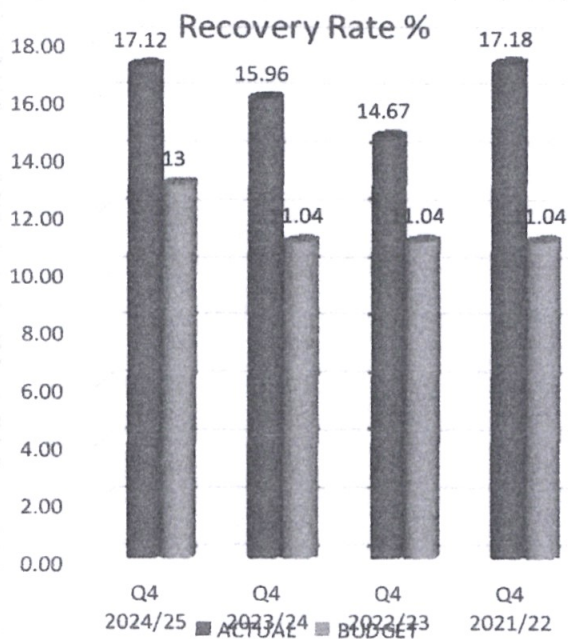
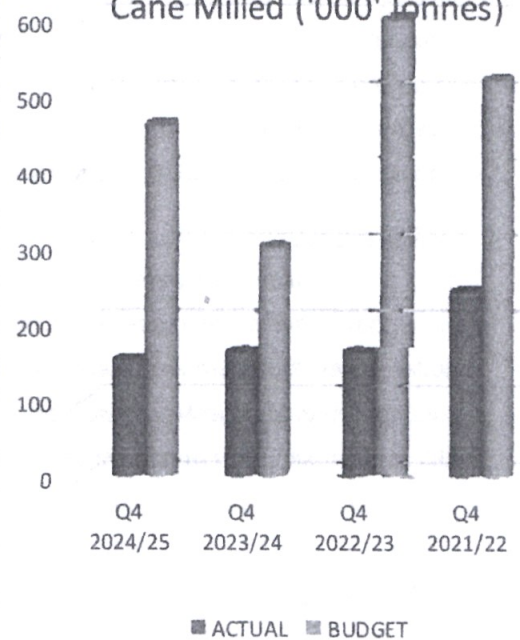
**MANAGEMENT DISCUSSION AND ANALYSIS.....Continued**

**PERFORMANCE HIGHLIGHTS**

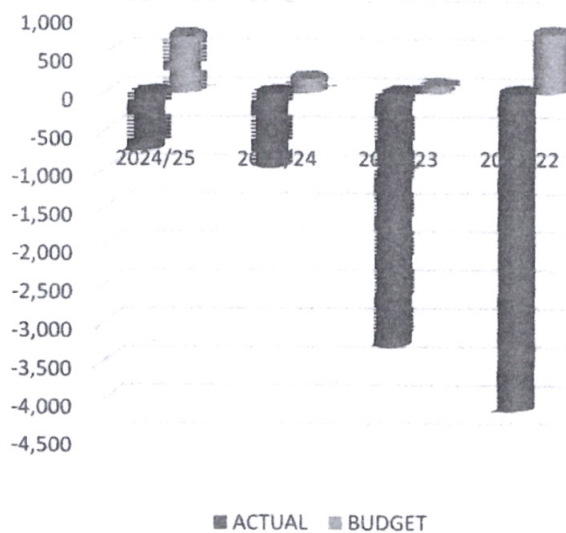
**Net Turnover (Kes. Billions)**



**Cane Milled ('000' Tonnes)**



**EBIT (Kes. Millions)**



**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**Responsible marketing and advertisement**

The company advertises its products on well known online platforms like the Nzoia website, Facebook, WhatsApp, main stream print and mass media that are well regulated. This ensures that the company reaches a large market platform and informs all customers about its products and services without discrimination.

**Product stewardship**

The company products are produced in a clean and safe environment to the satisfaction of all stakeholders. The products are checked at various stages of production to ensure the quality is acceptable and fit for human consumption.

**e) Corporate Social Responsibility**

**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.

**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.

**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.

The Company partnered with Hopkins Crescent Hospital to conduct a medical camp at Sudi Stadium via provision of venue facility. The following health challenges were addressed during the camp; Diabetes, High Blood pressure, Sickle cell anaemia, anti – jigger campaign, and a blood donation drive.

**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.

## **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 an ESG policy to widen the scope.

### **a) Sustainability strategy and profile**

The company has deployed resources for the development of departmental business continuity plans. This gave assurance that the company shall be able to continue operations and restore services in the event of a disaster that damages its assets and infrastructure. The company has a data centre that is used for data back up to ensure staff are able to access their data in case of disaster or emergency.

### **b) Environmental performance**

The company has always conserved the environment by planting trees and 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.

### **c) Employee welfare**

The Company has a Human Resource policy that subscribes to the tenets of the public service values and principles in the recruitment of staff, as provided in Article 232 of the constitution. Staffs are subjected to a fair performance appraisal whose output, amongst other aspects, is the identification of areas of improvement and training.

The company is in conformity with the requirements of the Occupational Safety and Health Act of 2007, (OSHA,2007).

The gender ratio of Male to Female as at 30<sup>th</sup> June 2025 was 69% to 31%.

### **d) Market place practises**

#### **Responsible competition practice.**

The company has a pricing committee for its main products sugar and molasses. The committee ensures that the company products are sold at the best market price and the process has checks and balances to weed out any corruption and unfair competition.

#### **Responsible supply chain and supplier relations**

The company strives to maintain good business practices by ensuring that honours contracts and communicates with the suppliers in case of delayed payments.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements of Nzoia Sugar Company Limited (the "company") for the year ended 30<sup>th</sup> June 2025, 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)	
2024/25	8,784	151,689	17.12
2023/24	10,264	162,294	15.96
2022/23	11,006	161,946	14.67
2021/22	14,240	242,851	16.97
2020/21	28,474	440,266	15.41

**RESULTS**

The results for the financial year ended 30<sup>th</sup> June 2025 are set out on pages 1 to 48.

	2025 KES 000'	2024 KES 000''
Turnover	<u>872,123</u>	<u>1,169,310</u>
Profit/Loss before Interest & Tax	<u>(750,808)</u>	<u>(1,178,221)</u>
Profit/Loss after tax	<u>(750,808)</u>	<u>(1,178,196)</u>

**DIVIDENDS**

The directors do not recommend a dividend in respect of the year (2024/25– KES Nil).

**DIRECTORS**

The directors of the company listed on page v were de-gazetted on 12<sup>th</sup> May 2025.

**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, 2025.

  
**Company Secretary**  
**Bungoma**

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**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.

**Approval of the Financial Statements**

The Nzoia Sugar Company Limited Financial Statements were approved .....2025  
and signed on its behalf by:

.....  
**Hon. Alfred Khangati**  
**Chairman Board of Directors**



.....  
**CPA Ezron Kotut**  
**Managing Director**

# REPUBLIC OF KENYA

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HEADQUARTERS  
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Monrovia Street  
P.O Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON NZOIA SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

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

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

e

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Nzoia Sugar Company Limited set out on pages 1 to 57, which comprise of the statement of financial position as at

30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nzoia Sugar Company Limited as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Inaccuracy of the Statement of Cash Flows**

The statement of cash flows reflects net increase in cash and equivalents comparative amount of Kshs.7,342,000 instead of the recalculated amount of Kshs.6,342,000 resulting to unexplained variance of Kshs.1,000,000.

In the circumstances, the accuracy and completeness of the net increase in cash and cash equivalents comparative amount of Kshs.7,342,000 could not be confirmed.

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 the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Material Uncertainty Related to Going Concern**

The statement of profit or loss and other comprehensive income reflects net operating loss of Kshs.750,808,000 and comparative loss of Kshs.1,178,196,000 realized in the previous financial year 2023/2024. In addition, the current liabilities balance of Kshs.5,198,031,000 exceed the current assets balance of Kshs.1,655,935,000 by Kshs.3,542,096,000, which demonstrates that the Company is unable to meet its financial obligations as and when they fall due.

Further, the Company had accumulated losses totalling Kshs.5,009,533,000 as reflected in statement of changes in equity. This state of affairs indicates a severe financial challenge facing the Company which raises significant doubt on its ability to operate as a going concern. Management has disclosed the material uncertainty related to going

concern in Note 3 to the financial statements and has indicated that the Company was handed over to a new investor on 10 May, 2025.

In the circumstances, the Company has ceased continued existence in its original state as a going concern and moved under new management.

My opinion is not modified in respect of this matter.

## **Emphasis of Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted revenue amounting to Kshs.4,684,339,000 against actual revenue of Kshs.1,090,970,000 resulting to an under-collection of Kshs.3,593,369,000 or 77% of the budget. Similarly, the statement reflects other operating income budget of Kshs.54,296,000 against actual amount of Kshs.468,493,000 resulting to over-collection of Kshs.414,197,000 or 763% of the budget. Further, the statement reflects recurrent expenditure budget of Kshs.1,068,015,000 against actual expenditure of Kshs.1,078,413,000 resulting to an over-expenditure of Kshs.10,398,000 or 1% of the budget.

In the circumstances, Management did not observe fiscal discipline.

### **2. Idle Investment Property**

Included in the balance of non-current assets of Kshs.8,928,269,000 shown in the statement of financial position is a balance of Kshs.303,978,000 relating to 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 twelve (12) years which translates to loss of rental income totalling to Kshs.10,800,000.

Although attempts were made in 2017 to get approval from the Parent Ministry to develop the property, no evidence was provided of follow up on the matter.

My opinion is not modified in respect of these matters.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the report for the previous year, several issues were raised under the Report on the Financial Statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance, as detailed in **Appendix I**. However, Management has not resolved the issues or given any explanation for the delay in resolving the issues.

### **Other Information**

The Management is responsible for the Other Information set out on page iii to xxxiv which comprise of Key Company Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information and I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

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

## **Basis for Conclusion**

### **1. Unsupported Leasing of the Company**

During the year under review, the Government of Kenya leased the Company to a local company through an international tender process, vide tender No. MOALD/SDA/IT/001/2024-2025, LOT 1, through the State Department of Agriculture and the name of the contract stated as 'Leasing of the Public Sector Owned / Controlled Sugar Companies' which comprised Nzoia Sugar Company Limited as LOT 1. The advertisement of the tender was done on 28 February, 2025 and tender opening on 25 March, 2025.

Review of the Board minutes for the 166<sup>th</sup> Special Board meeting held on 9 May, 2025 revealed that the lease concession fee is Kshs.4,000 per ton for sugar and Kshs.3,000 per ton for molasses. In addition, the minutes stated that a good will – one off payment of Kshs.208,305,000 and initial investment of Kshs.5,764,000,000 to be done within six (6) months after signing the contract.

The process of leasing was successfully completed and a handing over between the awarded winner of the lease for the Company and the Management of the Company was done on 10 May, 2025 at the Company premises. However, no formal handing over document was provided for audit review, neither was a lease contract provided. In addition, it could not be established whether the company's assets were valued to inform the leasing arrangement.

In the circumstances, the regularity of the leasing process could not be confirmed.

### **2. Non-Compliance with the Public Sector Accounting Standards Reporting Requirements**

Review of the annual report and financial statements revealed the following anomalies:

- i. The titles are not numbered in the table of contents and at the respective titles in the annual report and financial statements.
- ii. The following acronyms used in the financial statements were missing in the abbreviations and acronyms: WEO, GDB, ADC, IFRS, and ERP.
- iii. The Chairman of the Board did not sign the annual report and financial statements.
- iv. The statement of comparison of budget and actual amounts does not have a comparison of original budget with final budget to indicate if there were any adjustments
- v. There is no provision of signature by the Accounting Officer on Progress on follow up of Auditor recommendations section of the annual report and financial statements.

In the circumstances, the presentation and disclosure of the annual report and financial statements do not comply with the reporting template prescribed by the Public Sector Accounting Standards Board.

### **3. Non-Compliance with Law on Staff Ethnic Diversity**

Review of the Human Resource records showed that out of the total number of employees employed by the Company, 89 % were from the dominant ethnic community contrary to Section 7 of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and ensure that not more than one-third of its staff are from the same dominant ethnic community.

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

### **4. Undelivered Goods on Transit**

Review of documents provided for audit and as previously reported revealed the Company imported goods with estimated value of Kshs.361,021,070 in 2016 and 2017. The goods arrived at the Port of Mombasa between April 2017 and May 2018. As at 31 March, 2025, a total of Kshs.124,470,850 had been paid by the Company.

Out of these, goods valued Kshs.147,131,455 were delivered to the Company having been cleared at the Mombasa port. However, goods valued at Kshs.213,889,615 had not been delivered to the Company as at 30 June, 2025. Further, 54TPH boiler modification spares supplied by an Engineers and Consultants firm held in container numbers NYKU5890040 and KLOU9259080 with invoice value of USD.50,200 and USD.86,059 respectively, with an equivalent value of Kshs.16,913,310 were reported to have been sold through auction due to delayed payment of storage and clearance charges. It was not clear why the Company ordered for goods and could not clear them at the port leading to loss of public funds.

In the circumstances, the Company may have lost funds totaling to Kshs.141,384,160.

### **5. Accumulation of Demurrage Charges**

Review of reports on the materials held in two freight stations revealed that container number CAIU9207454 with invoice value of USD.190,137 with equivalent value of Kshs.23,601,040 had accumulated estimated CFS and shipping line charges of Kshs.33,979,629 or 143% of the material cost according to the status report of January, 2023.

In addition, container number TEXU0015036 with invoice value of USD.62,000 with equivalent value of Kshs.7,695,843 had accumulated estimated demurrage charges of Kshs.19,232,592 or 250% of the material cost as at January, 2023.

It was not clear how the Company afforded to import the materials without considering the port clearing cost. Further, the current demurrage charges for all the materials at the

port and how the Company intends to settle the accumulating charges could not be confirmed.

In the circumstances, the Company is exposed to litigation and further losses through auction and demurrage charges.

## **6. Underutilized Cane Land Hindering Optimal Use of Resources**

Review of the third quarter financial report and Board minutes of the 249th meeting revealed that the Company had a total of 16,723 hectares of cane, out of which 2,082 Ha of cane was in the nuclear estate and 14,640 Ha in the out growers as at 31 March, 2025. Further it was revealed that cane harvested and supplied to the factory in the 9 months ending 31 March, 2025 totaled to 144,613 tons against a target of 423,000 tons or 34% below the target.

Additionally, review of the nuclear estate records revealed that the Company had a total of 4,629 Ha of land out of which 3,600 Ha was set aside for cane production. Out of this, only 1,516.44 Ha was under cane which is 39.55% of the total land leaving unutilized or fallow land totaling to 2,181.86Ha (60.45%).

It was not clear why the Company did not utilize the land before buying cane from out growers and, considering that the Company failed to meet the targeted cane demand.

In the circumstances, the Company did not achieve value for money for the unutilized land.

## **7. Motor Vehicles and Other Assets Management**

### **a) Fuel, Oil and Lubricants**

Review of procurement records revealed that the Company initiated a direct procurement method for purchase of fuel from a local firm amounting to Kshs.3,981,696 without justification of the procurement method adopted.

Review of the approved prequalified list provided for audit revealed the Company had prequalified nine (9) more suppliers in the category of fuel raising doubts on why only one supplier was given the contract for the supply of fuel.

This was contrary to Section 105 (b) and (c) of the Public Procurement and Asset Disposal Act, 2015, which states that request for quotations shall be used for goods, works or non-consultancy services that are readily available in the market and procurement is for goods, works and services for which there is an established market.

In the circumstances, the Company may not have achieved value for money from the procurement.

### **b) Motor Vehicles Held at Eldoret Car Dealer Yard due to Non-Payment of Debts**

Review of the motor vehicle records revealed that two vehicles belonging to the Company were held at a car dealer yard in Eldoret town due to non-payment of a debt of Kshs.4,582,879.30 to the firm during acquisition of the vehicles. In addition, it was observed that the Company owed Kshs.104,247 and Kshs.92,247 for servicing of the two vehicles.

As at the time of audit in October, 2025, the motor vehicles were not available for physical verification although the status report of the vehicles indicated they were serviceable.

### **c) Physical Inspection of Motor Vehicles and Machinery Owned by the Company**

Physical inspection of the motor vehicles revealed that the vehicles which were operational could not serve the Company due to litigation issues and risk repossession by auctioneers. Further, as the vehicles continue to depreciate, it was not possible to establish the leasing position of the vehicles.

Further, examination of the inventory list provided revealed that eight (8) machines and four (4) motor vehicles earmarked for disposal were at the disposal yard of the Company awaiting disposal, although a disposal process had been started.

In the circumstances, Management of the Company's motor vehicles and machinery was ineffective.

## **8. Unremitted Statutory Deductions**

Review of the payroll and relevant supporting documents revealed that there were unremitted statutory deductions as follows:

### **a. Pay-As-You-Earn (PAYE) Deductions**

Analysis of the payroll and the Kenya Revenue Authority (KRA) ledgers revealed a variance between self-assessed PAYE tax and the payroll totaling Kshs.290,775. In addition, Management deducted PAYE without remitting to KRA. Review of the KRA portal revealed that the Company had not paid accumulated PAYE amounting to Kshs.2,060,226,390 comprising principal tax, interest and penalties.

### **b. National Social Security Fund (NSSF)**

Review of the payroll revealed that Management deducted the National Social Security Fund (NSSF) from staff without remitting to the Social Fund amounting to Kshs.42,036,197.48. In addition, there were staff who were making voluntary contribution over and above the normal deduction totalling Kshs.4,340,250 and the said contributions were never paid to the National Social Security Fund.

**c. Affordable Housing Levy**

Review of the payroll revealed that Management was not deducting Affordable Housing Levy from employees at 1.5% and the Company was to give an equivalent 1.5% and remit the said amounts totaling to Kshs.16,111,396.

**d. Social Health Insurance Fund (SHIF)**

Review of the payroll revealed that employees were to be deducted 2.75% from the employee's gross salary with effect from 1 October, 2024 and remit the same to the respective organization. However, statutory deductions and contributions amounting to Kshs.10,557,078.14 was never remitted to the Social Health Authority (SHA) as no proof of payment was provided for audit review.

**e. National Industrial Training Authority Levy**

Review of the payroll revealed that Kshs.373,000 for Training Levy for the employees was never paid to the Authority.

**f. National Hospital Insurance Fund (NHIF)**

Review of the payroll and supporting documents revealed that the employees were deducted NHIF monies from the months of July, 2024 to October, 2024 totaling to Kshs.3,496,950 but only paid Kshs.438,225 was remitted, leaving Kshs.3,058,725 unpaid resulting to accrued penalties and interests.

This was contrary to Section 19(4) of the Employment Act, 2007, which provides that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement court order or arbitration as the case may be.

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

**9. Unexplained Cancellation of Invoices**

Review of revenue records revealed cancellation of invoices amounting to Kshs.20,000,000 relating to sugar sales and molasses. However, no justification or approval documentation for the reversed entries was provided for verification contrary to the Public Finance Management (National Government) Regulations, 2015, Regulation 103 which stipulates that (1) journal entries prepared for all adjustments shall be authorized by the Accounting Officer or an officer designated by him or her before posting them in a financial record and (2) in all cases journal vouchers shall be supported by sufficient explanations, authorizations and documentation to facilitate accounting adjustments to be understood.

In the circumstances, the regularity and propriety of the cancelled invoices could not be confirmed.

## **10. Financial Loss Due to 1,580 Tons of Spoilt Cane at the Yard**

During the review period, it was observed that 1,580 tons of harvested cane at the factory yard got spoilt due to prolonged machine breakdown. The estimated financial loss is significant, which would include revenue loss for both sugar and molasses and extra cost arising from transportation and harvesting. Further, it was observed that from the time of supply, the cane had stayed at the yard for more than three weeks. This resulted to an estimated loss of Kshs.13,038,042.

In the circumstances, the loss estimated at Kshs.13,038,042 could have been avoided if proper servicing and management of the Company's machinery was undertaken.

## **11. Incomplete Information and Communication Technology (ICT) Systems for Agricultural Management and SAP Enterprise Resource Planning**

Review of the Information and Communication Technology (ICT) control environment revealed that Nzoia Sugar Company entered into a contract with a local firm in March 2016 to develop two major ICT systems modules at a total cost of Kshs.282,600,000. As at 31 March, 2025, the level of implementation was at 80%, having paid Kshs.212,800,000 equivalent to 75% of the project cost.

However, the implementation was never finalized. The systems were at various stages of development and there has been no formal evaluation, no documentation, and there is no agreed mechanism on how the ICT equipment, software and related licenses shall be transferred to the lessee.

In the circumstances, the Company did not achieve value for money and there is a risk of loss of public funds in case the system is abandoned.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

## **Basis for Conclusion**

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Conclusion**

As required by the Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion, I confirm that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. Information given in the Directors' report on page xxxiii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 26 has been properly prepared in accordance with the Companies Act, 2015.

### **Basis for Conclusion**

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the Management and Board of Directors**

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

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

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

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

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


### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

08 December, 2025

## Appendix I

### Unresolved Prior Year Audit Matters

Reference No.	Observation
	Report on the Financial Statements
1	Unsupported Valuation of Biological Assets
2	Unsupported Intangible Asset
3	Unsupported Deferred Income Tax Liability
4	Long Outstanding Goods in Transit
	<b>Material Uncertainty Related to Going Concern</b>
	<b>Emphasis of Matter</b>
1	Budgetary Control and Performance
2	<b>Idle Investment Property</b>
	<b>Report on Lawfulness and Effectiveness in the Use of Public Resources</b>
1	Low Rendement (Yield) Below the Industry Standard
2.1	Excess Wage Bill
2.2	Lack of Ethnic Diversity in Staff Establishment
2.3	Failure to Adhere to One Third Basic Salary Rule
2.4	Avoidable Cost Related to Suspension of Employee
3	Unremitted Statutory Deductions
4	Noncompliance with Executive Order on Procurement
	<b>Report on Effectiveness of Internal Controls, Risk Management and Governance</b>
1	Failure to Carry Out Annual Performance Appraisal of Internal Audit Unit
2	Unlawful Termination of Employment

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

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

	Note	2025 KES'000'	2024 KES'000'
Revenue	4	872,123	1,169,310
Fair value gain/(loss) on biological assets	5	<u>218,847</u>	<u>195,187</u>
<b>TOTAL REVENUE</b>		<b>1,090,970</b>	<b>1,364,497</b>
Cost of sales	6	<u>(1,231,858)</u>	<u>(1,411,041)</u>
Gross profit		(140,888)	(46,544)
<b>OTHER OPERATING INCOME</b>			
Gains on Disposal of Non-Financial Assets	7	5,415	(78,648)
Other Income	8	463,078	42,225
		<b>468,493</b>	<b>(36,423)</b>
<b>OPERATING EXPENSES</b>			
Administrative expenses	9	(771,719)	(759,949)
Marketing and distribution costs	10	(645)	(2,652)
Depreciation of property, plant & machinery	15	(298,967)	(325,183)
Amortization of intangible Assets	16	(7,082)	(7,470)
<b>TOTAL OPERATING EXPENSES</b>		<b>(1,078,413)</b>	<b>(1,095,255)</b>
<b>OPERATING PROFIT/(LOSS)</b>	11	<b>(750,808)</b>	<b>(1,178,221)</b>
Finance income	12	-	25
Finance costs	13	=	=
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(750,808)</b>	<b>(1,178,196)</b>
Taxation credit/(charge)	14	-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b><u>(750,808)</u></b>	<b><u>(1,178,196)</u></b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>(750,808)</u></b>	<b><u>(1,178,196)</u></b>

Earnings per share is negative Kes.1.383

The notes set out on pages 6 to 48 form an integral part of these Financial Statements.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025**

<b>ASSETS</b>	<b>Note</b>	<b>2025 KES'000</b>	<b>2024 KES'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	8,488,710	8,738,504
Intangible assets	16	135,127	142,209
Investment property	17	303,978	303,978
Out-growers balances	18	455	383
		<b>8,928,269</b>	<b>9,185,074</b>
<b>Current assets</b>			
Due from Out-growers	18	910	767
Inventories	19	153,719	322,401
Biological assets	5	982,035	937,083
Trade and other receivables	20	15,010	19,131
Government of Kenya Grant	21	502,599	-
Cash and bank balances	22	1,663	8,754
		<b>1,655,935</b>	<b>1,288,135</b>
<b>Total assets</b>		<b>10,584,205</b>	<b>10,473,209</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	23	543,000	543,000
Revaluation surplus	24	5,967,425	5,967,425
Retained earnings	25	(5,009,533)	(4,258,724)
<b>Shareholders' equity</b>		<b>1,500,892</b>	<b>2,251,700</b>
<b>Non-current liabilities</b>			
Long term borrowings	26	-	-
Deferred income taxation liability	27	3,885,282	3,885,282
		<b>3,885,282</b>	<b>3,885,282</b>
<b>Current liabilities</b>			
Borrowings	26	-	-
Trade and other payables	28	4,579,848	3,941,623
Provident fund obligation	29 a	185,180	159,158
Defined benefit scheme liability	29 b	415,600	219,500
Provision for staff leave pay	30	17,404	15,945
Taxation payable	14	-	-
		<b>5,198,031</b>	<b>4,336,227</b>
<b>Total equity and liabilities</b>		<b><u>10,584,205</u></b>	<b><u>10,473,209</u></b>

The Financial Statements set out on pages 1 to 4 were approved and authorised for issue by the Board of Directors on..... 2025 and were signed on its behalf by:

.....  
**Hon. Alfred Khang'ati**  
**Chairman Board of Directors**



.....  
**CPA Ezron Kotut**  
**Managing Director**



.....  
**CPA Peter Simiyu**  
**Finance Manager**

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025**

	Share capital	Revaluation surplus	Retained deficit (Restated)	Total
	KES'000	KES'000	KES'000	KES'000
At 1 July 2023	543,000	5,967,425	(63,099,846)	(56,589,422)
Movement for the period ending 30 June 2024			60,019,318	60,019,318
Total comprehensive profit( loss)	-	-	(1,178,196)	(1,178,196)
At 30 June 2024	<b>543,000</b>	<b>5,967,425</b>	<b>(4,258,724)</b>	<b>2,251,700</b>
Movement for the period ending 30 June 2025			-	-
Total comprehensive profit( loss)	-	-	(750,808)	(750,808)
<b>At 30 June 2025</b>	<b>543,000</b>	<b>5,967,425</b>	<b>(5,009,533)</b>	<b>1,500,892</b>

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.

The movement for the period ending 30<sup>th</sup> June 2024 which related to the write off of loans, levies, taxes and penalties by the Government of Kenya has been restated from Kes.57,662,927,000 to Kes.60,019,318,000.

The National assembly of Kenya approved action plans to revive and commercialize state owned sugar companies on 14<sup>th</sup> September 2023, write off of debts, levies, taxes and penalties being among the plans as per the Certificate No.039/13<sup>th</sup>/2023 of the National Assembly of Kenya.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025**

	Note	2025 KES'000	2024 KES'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	31 (a)	168,768	221,101
Interest received	12	-	25
Interest paid		-	-
Taxation paid	14	-	-
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		168,768	221,126
		<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	15	(49,172)	(139,065)
Additions to biological assets	5	(126,688)	(75,720)
Net cash used in investing activities		(175,860)	(214,784)
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans received	26	-	-
Loans repaid	26	-	-
Net cash (used in)/generated from financing activities		-	-
		<hr/>	<hr/>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(7,091)	7,342
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		8,754	1,412
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	31(b)	1,663	8,754
		=====	=====

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2025**

		ACTUAL	BUDGET	PERFORMANC E DIFFERENCE	% UTILIZATIO N
	Note	Shs'000	Shs'000	Shs'000	
Revenue	4	872,123	4,684,339	(3,812,216)	18.62
Fair value gain/(loss) on biological assets	5	218,847	-	218,847	-
<b>TOTAL REVENUE</b>		<b>1,090,970</b>	<b>4,684,339</b>	<b>(3,593,369)</b>	<b>23.29</b>
Cost of sales	6	<u>(1,231,858)</u>	<u>(2,940,073)</u>	<u>1,708,215</u>	41.60
Gross profit		(140,888)	1,744,266	(1,885,154)	(8.08)
<b>OTHER OPERATING INCOME</b>					
Gains on Disposal of Non-Financial Assets	7	5,415	10,000	(4,585)	54.15
Other Income	8	463,078	44,296	418,782	1,045.42
		<b>468,493</b>	<b>54,296</b>	<b>414,197</b>	
Administrative expenses	9	(771,719)	(907,189)	135,470	85.07
Marketing and distribution costs	10	(645)	(4,500)	3,855	14.33
Depreciation of property, plant & machinery	15	(298,967)	(149,244)	(149,723)	200.32
Amortisation of intangible Assets	16	(7,082)	(7,082)	-	100
<b>TOTAL OPERATING EXPENSES</b>		<b>(1,078,413)</b>	<b>(1,068,015)</b>	<b>(10,398)</b>	<b>100.97</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>(750,808)</b>	<b>730,547</b>	<b>(1,481,355)</b>	<b>(102.77)</b>
Finance income	12	-	8,198	(8,198)	-
Finance costs	13	-	-	-	-
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(750,808)</b>	<b>738,745</b>	<b>(1,489,553)</b>	<b>(101.63)</b>
Taxation credit/(charge)	14	-	-	-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b><u>(750,808)</u></b>	<b><u>738,745</u></b>	<b><u>(1,489,553)</u></b>	<b>(101.63)</b>

**BUDGET NOTES**

1. Revenue had an adverse variance due to low production volumes.
2. Other income had a positive variance due to funding from the Kenya Government through Agriculture Food Authority and Kenya Sugar Board towards clearance of factory maintenance, farmers and employees arrears.
3. Total operating expenses increased during the year under review due to increase in depreciation charges.

**NOTES TO THE FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2025**

**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 2024**

- Amendments to IAS 12 Income Taxes clarify the following aspects:
- |  |  |
|--|--|
| IAS 12<br>Recognition of<br>Deferred Tax<br>Assets for<br>Unrealised<br>Losses | <ul style="list-style-type: none"><li>• 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.</li><li>• The carrying amount of an asset does not limit the estimation of probable future taxable profits.</li><li>• Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</li><li>• 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.</li></ul> |
|--|--|

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 2025**

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 2025**

**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 2025**

**1. ACCOUNTING POLICIES (Continued)**

Based on an analysis of the Company's financial assets and financial liabilities as at 30 June 2024 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 2025 (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 2025**

**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 2025**

**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 2025 (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 2025**

**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 2023(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 2025 (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 2025**

**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 2025 (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 2025 (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 2025

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2025**

**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 accrual's 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 its 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 2025**

**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 considered 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.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2025**

**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.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2025**

**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 2025**

**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 2025**

**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 2025**

**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, maximum of Kes.2,160. Currently, the contribution is limited to a maximum of Kes 2,160 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 2025**

**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 2025**

**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.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2025**

**3 GOING CONCERN**

At 30 June 2025, the company had a shareholders' equity of KES 1,500,892 (2024 - KES 2,251,700) and current liabilities exceeded current assets by KES 3,542,095 (2024 - KES. 3,048,092). 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 Government of Kenya agreed to lease Nzoia Sugar Company Limited through the international tender document on leasing of the Public owned sugar companies, invitation of tenders was done referenced as MOALD/SDA/IT/001/2024-2025 in which the procuring entity is State Department of Agriculture and the name of the contract stated as 'Leasing of the Public Sector Owned / Controlled Sugar Companies' which comprised Nzoia Sugar Company Limited as LOT 1.

The advertisement of tender was done on 28 February 2025 and tender opening on 25 March 2025. The State Department of Agriculture analysed the bids and finally awarded the highest bidder – West Kenya Sugar Company Limited with the lease concession fee at Kshs.4,000 per ton for sugar and Kshs.3,000 per ton for molasses. In addition a good will of one off payment of Kshs.208,305,000 and initial investment of Kshs.5.764 billion to be done within 6 months after signing the contract.

The process of leasing was successfully completed and a handing over of Nzoia Sugar Company Limited to West Kenya Sugar Company Ltd was done on 10 May 2025 at the Company premises by the Board of Directors and the Management of the Nzoia Sugar Company Limited.

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

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2025</b>	<b>2024</b>
	<b>KES'000</b>	<b>KES'000</b>
<b>4 REVENUE ANALYSIS</b>		
Gross sales	1,011,663	1,356,400
Less: Value Added Tax	(139,540)	(187,090)
	<hr/>	<hr/>
Net sales	872,123	1,169,310
	=====	=====
<b>Net sales analysed as follows:</b>		
Sugar sales	823,647	1,106,611
Molasses sales	48,476	62,699
	<hr/>	<hr/>
	872,123	1,169,310
	=====	=====
<b>5 BIOLOGICAL ASSETS</b>		
At beginning of the year	937,083	791,942
- Additions	126,688	75,720
Decrease due to harvest	<u>(300,583)</u>	<u>(125,766)</u>
As restated	763,188	741,896
(Loss)/gain arising from changes in fair value attributable to physical changes	186,051	260,132
Loss)/gain arising from changes in fair value attributable to price changes	32,796	(64,945)
	<hr/>	<hr/>
Fair value gain/(loss) during the year	<u>218,847</u>	<u>195,187</u>
	<hr/>	<hr/>
At the end of the year	982,035	937,083
	=====	=====

*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.*

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. COST OF SALES**

	<b>2025</b>	<b>2024</b>
	<b>KES'000</b>	<b>KES'000</b>
Opening stock raw material-Cane	12,321	2,448
Cane purchased -N/Estate	285,092	123,365
-O/G	478,731	797,580
<b>Total cane received</b>	<b>763,823</b>	<b>920,944</b>
Raw materials available for crushing	776,143	923,392
Closing stock raw materials	(8,690)	(12,321)
<b>Cost of cane ground</b>	<b>767,453</b>	<b>911,072</b>
Production - Direct labour	86,241	94,582
- Direct Expenses	27,420	34,042
<b>Total Direct expenses</b>	<b>113,661</b>	<b>128,624</b>
<b>Prime costs</b>	<b>881,114</b>	<b>1,039,696</b>
Factory -Indirect labour	123,931	133,031
-Indirect Expenses	193,403	215,432
-Depreciation	-	-
<b>Total indirect costs</b>	<b>317,334</b>	<b>348,462</b>
<b>Factory cost of production</b>	<b>1,198,448</b>	<b>1,388,158</b>
Add: Opening work in progress	19,437	61,425
Less: Closing work in progress	(1,759)	(19,437)
	<b>1,216,125</b>	<b>1,430,145</b>
<b>Factory cost of completed goods</b>		
Add: Opening stock Finished goods	22,506	3,400
<b>Goods available for sale</b>	<b>1,238,631</b>	<b>1,433,545</b>
Less: Closing stock Finished goods	(6,773)	(22,506)
<b>Cost of sales</b>	<b><u>1,231,858</u></b>	<b><u>1,411,041</u></b>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	2025 KES'000	2024 KES'000
<b>7. GAINS/(LOSS) ON DISPOSAL OF NON-FINANCIAL ASSETS</b>		
Disposal of Arkel Yard Factory Items	5,415	(78,648)
<p>The Company disposed Arkel yard factory items during the year.</p>		
<b>8. OTHER INCOMES</b>		
Rental income	10,954	8,956
Miscellaneous Receipts	2,104	6,064
Decrease in provisions	(53,544)	24,128
Ministry of Agriculture Grant	502,599	-
Company Machine Fleets	965	3,077
	463,078	42,225
	463,078	42,225

Other incomes include Government of Kenya Grant of Kes.503 Million towards company operational expenses of salary arrears, farmer's arrears and company factory spares for maintenance.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

<b>9 (a) ADMINISTRATIVE EXPENSES</b>	<b>2025</b>	<b>2024</b>
	<b>KES'000</b>	<b>KES'000</b>
Staff costs	430,758	502,476
Other costs	10,568	24,297
Legal and professional fees	6,324	13,311
Corporate social responsibility	3	579
Medical services	-	76
Travelling	5,704	8,074
Security	1,161	991
Books & Periodicals	-	-
Directors expenses	19,253	25,753
Honorarium	667	736
Repairs and maintenance	2,064	6,722
Rent and rates	1,160	5,374
Insurance	-	35,139
Cane safety expense	55	-
Bank charges	3,228	3,613
Contracted services	21,628	32,285
Telephones and communications	697	2,567
Audit fees	2,205	2,205
Stationery	2,703	2,440
Contingency	-	-
Donations	176	173
Fuel and lubricants	22,085	26,338
Motor vehicle running	10,150	22,985
Foreign Exchange Differences	-	-
Tax penalties	231,132	43,816
	<b>771,719</b>	<b>759,949</b>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<b>2025</b>	<b>2024</b>
	<b>KES'000</b>	<b>KES'000</b>
<b>9(b) STAFF COSTS</b>		
Salaries and allowances	382,068	413,125
Bonus	-	-
Pension - defined contribution scheme	-	34,066
Provident fund	-	-
Staff overtime	-	-
Staff training	395	1,334
Casual labour	34,665	44,850
Other staff costs	195	289
Staff gratuity provision	-	-
NSSF - statutory defined contribution scheme	13,434	8,813
Defined benefit scheme credit	-	-
	<u>430,758</u>	<u>502,476</u>
	=====	=====

**The average number of employees at the end of the year was:**

Permanent employees-Management	179	191
Permanent employees-Unionisable	343	370
Temporary and contract employees	1,051	2,597

**10. MARKETING AND DISTRIBUTION COSTS**

Salaries and wages of sales personnel		
Advertisement and promotional expenses	557	1,672
Other Selling and distribution costs	88	980
	<u>645</u>	<u>2,652</u>
	=====	=====

**11. LOSS BEFORE TAXATION**

Loss before taxation is arrived at after:

**Charging:**

Staff costs (note 9 b)	430,758	502,476
Depreciation of property, plant and equipment (note 15)	298,967	325,184
Amortisation of intangible assets (note 16)	7,082	7,470
Directors' emoluments - Fees	-	-
- Other	-	-
Directors' expenses	19,920	26,489
Auditors' remuneration	2,205	2,205
Bad and doubtful debts	-	-
Profit (loss) on disposal of assets	(5,415)	78,648
Loss (Gain) on foreign exchange	-	-
Interest receivable	-	(25)
	<u>=====</u>	<u>=====</u>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	2025	2024
	KES'000	KES'000
<b>12</b>		
<b>FINANCE INCOME</b>		
Interest income:		
On farmers balances	-	21
On deposits with financial institutions	-	4
On staff loans	-	-
	-----	-----
	-	25
	=====	=====

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.

	2025	2024
	KES'000	KES'000
<b>13</b>		
<b>FINANCE COSTS</b>		
Interest expense	-	-
	-----	-----

	2025	2024
	KES'000	KES'000
<b>14</b>		
<b>TAXATION</b>		
(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	(750,808)	(1,178,196)
	-----	-----
(c) Taxation recoverable		
At beginning of the year	-	-
Paid in the year	-	-
Charge for the year	-	-
Prior year under provision of taxation recoverable		-
	-----	-----
At end of year	-	-
	=====	=====

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land	Residential Factory building	& 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 KES '000	Total KES '000
<b>COST OR VALUATION</b>	<b>KES '000</b>	<b>KES '000</b>	<b>KES '000</b>	<b>KES '000</b>	<b>KES '000</b>	<b>KES '000</b>	<b>KES '000</b>	<b>KES '000</b>	<b>KES '000</b>	<b>KES '000</b>			<b>KES '000</b>
<b>At 1 July 2023</b>	<b>5,798,600</b>	<b>563,364</b>	<b>223,550</b>	<b>5,642,412</b>	<b>381,820</b>	<b>89,747</b>	<b>45,914</b>	<b>111,391</b>	<b>26,218</b>	<b>119,204</b>	<b>236,350</b>	<b>188,512</b>	<b>13,427,084</b>
Additions					-		85	227			35,966	102,787	139,065
Revaluation													
Transfer													
Reclassification													
Disposals				(296,697)	(27,000)	(8,860)		-					(332,557)
<b>At 30 June 2024</b>	<b><u>5,798,600</u></b>	<b><u>563,364</u></b>	<b><u>223,550</u></b>	<b><u>5,345,715</u></b>	<b><u>354,820</u></b>	<b><u>80,887</u></b>	<b><u>45,999</u></b>	<b><u>111,618</u></b>	<b><u>26,218</u></b>	<b><u>119,204</u></b>	<b><u>272,316</u></b>	<b><u>291,299</u></b>	<b><u>13,233,592</u></b>
<b>At 1 July 2024</b>	<b><u>5,798,600</u></b>	<b><u>563,364</u></b>	<b><u>223,550</u></b>	<b><u>5,345,715</u></b>	<b><u>354,820</u></b>	<b><u>80,887</u></b>	<b><u>45,999</u></b>	<b><u>111,618</u></b>	<b><u>26,218</u></b>	<b><u>119,204</u></b>	<b><u>272,316</u></b>	<b><u>291,299</u></b>	<b><u>13,233,592</u></b>
Additions					-			660			48,227	285	49,172
Revaluation													
Transfer													
Reclassification													
Disposals													
<b>At 30 June 2025</b>	<b><u>5,798,600</u></b>	<b><u>563,364</u></b>	<b><u>223,550</u></b>	<b><u>5,345,715</u></b>	<b><u>354,820</u></b>	<b><u>80,887</u></b>	<b><u>45,999</u></b>	<b><u>112,277</u></b>	<b><u>26,218</u></b>	<b><u>119,204</u></b>	<b><u>320,543</u></b>	<b><u>291,585</u></b>	<b><u>13,282,764</u></b>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**15 PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Leasehold land	Residential Factory building	& 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
<b>DEPRECIATION</b>													
At 1 July 2023	-	318,351	75,242	3,170,554	352,611	80,244	31,820	68,508	17,323	86,723	171,619	-	4,372,995
Restated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(168,979)	(26,140)	(7,974)	-	-	-	-	-	-	-
Charge for the year	-	24,501	7,415	234,414	6,655	2,154	2,127	6,466	1,334	4,872	35,244	-	325,183
30 <sup>th</sup> June 2024	-	342,852	82,658	3,235,989	333,126	74,424	33,947	74,974	18,657	91,595	206,863	-	4,495,090
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	22,052	7,044	210,973	4,816	1,616	1,808	5,595	1,134	4,141	39,788	-	298,967
At 30 June 2025	-	364,904	89,702	3,446,962	337,942	76,040	35,755	80,570	19,791	95,736	246,651	-	4,794,057
<b>NET BOOK VALUE (Valuation)</b>													
At 30 June 2025	5,798,600	198,462	133,848	1,898,753	16,878	4,847	10,244	31,707	6,427	23,468	73,892	291,585	8,488,711
At 30 June 2024	5,798,600	220,512	140,892	2,109,726	21,693	6,463	12,052	36,643	7,561	27,610	65,453	291,299	8,738,504

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**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.5,798,600,000.00

Property, plant and equipment were revalued on 30 June 2015, by Real Appraisal Limited. Assets were revalued using the depreciated replacement cost method.

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 30<sup>th</sup> June 2025 of Kes.298,967,000 has been charged on the face of profit or loss and other comprehensive income for the year ended 30<sup>th</sup> June 2025.

**16 INTANGIBLE ASSETS**

	2025 KES'000	2024 KES'000
<b>COST</b>		
At 1 July	142,209	149,679
Revaluation	-	-
Transfer from capital WIP		
	<u>142,209</u>	<u>149,679</u>
<b>AMORTISATION</b>		
At 1 July	90,357	82,887
Depreciation Charge for the year	7,082	7,470
	<u>97,439</u>	<u>90,357</u>
<b>NET BOOK VALUE</b>	<u>135,127</u> =====	<u>142,209</u> =====

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

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17 INVESTMENT PROPERTY**

At fair value:

At beginning of year	303,978	303,978
Fair value gain	-	-
	<u>          </u>	<u>          </u>
At end of year	303,978	303,978
	=====	=====

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.

	<b>2025</b>	<b>2024</b>
	<b>KES'000</b>	<b>KES'000</b>
<b>18 DUES FROM OUTGROWERS</b>		
Due from out-growers	218,411	211,050
Less: provision for doubtful debts	(217,046)	(209,900)
	<u>          </u>	<u>          </u>
	1,365	1,150
	=====	=====
Due within 1 year	910	767
After 1 year	455	383
	<u>          </u>	<u>          </u>
	1,365	1,150
	=====	=====

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.

	<b>2025</b>	<b>2024</b>
	<b>KES'000</b>	<b>KES'000</b>
<b>19 INVENTORIES</b>		
Sugar and molasses	6,773	22,505
Sugar in process	1,759	19,437
Raw materials	8,690	12,321
Consumables	136,498	268,139
	<u>          </u>	<u>          </u>
	153,719	322,401
	=====	=====

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

	<b>2025</b>	<b>2024</b>
	<b>KES'000</b>	<b>KES'000</b>
<b>NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)</b>		
<b>20</b>	<b>TRADE AND OTHER RECEIVABLES</b>	
Trade receivables	28,841	26,255
Less provision for doubtful debts	(24,914)	(24,914)
	<u>3,927</u>	<u>1,341</u>
Other receivables	123,194	123,836
Prepayments and deposits	3,187	6,449
Staff receivables	12,440	17,715
Less provision for doubtful debts	(127,737)	(130,209)
	<u>15,010</u>	<u>19,131</u>
	=====	=====
	<b>2025</b>	<b>2024</b>
	<b>KES'000</b>	<b>KES'000</b>
<b>21</b>	<b>Government of Kenya Grant</b>	
Agriculture Food Authority	302,599	-
Kenya Sugar Board	200,000	-
	<u>502,599</u>	<u>-</u>
	=====	=====

The Grant was given for operational expenses in relation to farmers, employee's arrears and factory spare parts during the financial year 2024-2025.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22 BANK AND CASH BALANCES**

		<b>2025</b>	<b>2024</b>
		<b>KES'000</b>	<b>KES'000</b>
KCB - Bungoma Current A/C	1107813840	316	454
NBK - Bungoma Current A/C	01001054695600	50	1212
NBK Savings A/C	01242054695600	66	65
Coop Current A/C	01120049157301	12	60
DTB Current A/C	0267463001	1,211	6,957
SCB SAFARI A/C	0152517955300	-	-
SCB Current A/C	0102417955300	6	6
Receipts Before Banking	company receipts	-	-
Bungoma Petty Cash	company cash	-	-
		<hr/>	<hr/>
TOTAL		1,663	8,754
		=====	=====

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 30<sup>th</sup> June 2025.

<b>23 ORDINARY SHARE CAPITAL</b>	<b>2025</b>	<b>2024</b>
	<b>KES'000</b>	<b>KES'000</b>
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	<u>543,000</u>	<u>543,000</u>

**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.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

		2025	2024
		KES'000	KES'000
26	<b>BORROWINGS</b>		
	<b>a) Loans</b>		
	National Treasury	-	-
	Agriculture Food and Fisheries Authority (AFFA)	-	-
		-----	-----
		-	-
		=====	=====
	The borrowings are repayable as follows:		
	On demand or within 1 year	-	-
	After 1 year	-	-
		-----	-----
	Total borrowings	-	-
		=====	=====
	The Government of Kenya wrote off all the loans during the year under review.		
		2025	2024
		KES'000	KES'000
	<b>b) Movement in loans</b>		
	At 1 July	-	-
	Accrued interest	-	-
	Interest paid	-	-
	Foreign exchange difference	-	-
	Loans received	-	-
	Affa loan adjustment	-	-
		-----	-----
	At 30 June	-	-
		=====	=====
	This is made up of:		
	Principal	-	-
	Accrued interest	-	-
		-----	-----
		-	-
		=====	=====

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26 BORROWINGS**

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

<b>c) Interest rates</b>	2025	2024
	%	%
The National Treasury	-	-
Agriculture Food and Fisheries Authority	-	-
	=====	=====

**d) Details of securities for borrowings**

The loans from The National Treasury and the Agriculture Food and Fisheries Authority were written off by the Government of Kenya.

**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%.

	2025 KES'000	2024 KES'000
The net deferred taxation liability is attributable to the following items:		
<b>Deferred taxation liabilities:</b>		
Accelerated capital allowances	1,719,603	1,719,603
Fair value adjustment - biological assets	102,816	102,816
Revaluation surpluses	2,545,575	2,545,575
	-----	-----
Total liabilities	4,367,994	4,367,994
<b>Deferred taxation assets:</b>		
Provision for service gratuity	(73,184)	(73,184)
Provision for staff leave pay	(26,741)	(26,741)
Unrealised exchange losses	(17,214)	(17,214)
General doubtful debts provision	(268,633)	(268,633)
Provision for obsolete stock	(96,940)	(96,940)
Tax losses available for offset against future profits	(5,535,461)	(5,535,461)
Deferred tax assets not recognised	5,535,461	5,535,461
	-----	-----
<b>Total assets</b>	<b>(482,712)</b>	<b>(482,712)</b>
	-----	-----
Total	3,885,282	3,885,282
	=====	=====
At 30 June 2025	3,885,282	3,885,282
	=====	=====

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**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. Management 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**

	2025 KES'000	2024 KES'000
Trade payables	1,018,078	893,533
Due to out growers	263,267	192,804
Tax penalties	170,453	53,416
Sugar Development Levy	-	-
Accruals	405,169	391,933
Other payables	2,722,882	2,409,937
	<u>4,579,848</u>	<u>3,941,623</u>
	=====	=====

**29 RETIREMENT BENEFITS OBLIGATIONS**

	2025 KES'000	2024 KES'000
<b>(a) AMOUNTS DUE TO STAFF PROVIDENT FUND &amp; EXITS</b>		
Balance at the beginning of the year	159,158	161,489
Additions	38,252	-
Paid during the year	(12,230)	(2,331)
	<u>185,180</u>	<u>159,158</u>
	=====	=====

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. Amounts payable to all staff exits from the Company are also part of the additions.

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.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	2025	2024
	KES'000	KES'000
<b>30 PROVISIONS FOR STAFF LEAVE PAY</b>		
At the beginning of the year	15,945	35,073
Movement in the year	1,458	(19,128)
	<hr/>	<hr/>
At the end of the year	17,403	15,945
	=====	=====
<b>31 NOTES TO THE STATEMENT OF CASH FLOWS</b>		
(a) Reconciliation of loss before taxation to cash generated from (used in) operations		
Loss before taxation	(750,808)	(1,178,196)
<i>Adjustments:</i>		
Finance income (note 12)	-	(25)
Finance costs (note 13)	-	-
Fair value gain investment property	-	-
Depreciation (note 15)	298,967	325,183
Revaluation (note 15& 16)	-	-
Amortisation (note 16)	7,082	(7,470)
Loss/ (gain) on disposal of property, plant and equipment	-	78,648
Fair value loss /gain on biological assets (note 5)	(218,847)	(195,187)
Foreign exchange difference on borrowings (note 26)	-	-
Biological assets harvested	300,583	125,704
	<hr/>	<hr/>
Cash used in operations before working capital changes	(363,023)	(851,343)
<i>Movements in:</i>		
Out-growers balances	(215)	51,923
Inventories	168,682	172,500
Trade and other receivables	4,120	9,158
Staff provident fund	26,021	(2,331)
Defined benefit obligation (note 29)	196,100	219,500
Trade and other payables	638,224	(12,393,872)
Trade and other payables Adjustments	(502,599)	12,997,438
Provision for staff leave pay	1,459	19,128
	<hr/>	<hr/>
Cash generated (used in) operations	168,768	222,101
	=====	=====
(b) Analysis of the balances of cash and cash equivalents		
Bank and cash balances (note 22)	1,663	8,754
Short term deposits (note 21)	-	-
	<hr/>	<hr/>
	1,663	8,754
	=====	=====

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**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 on 31<sup>st</sup> December 2023 by Octagon Pension Services 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 deficit was valued at Kes 415.6 M as at 30<sup>th</sup> June 2025.

**Staff Retirement Benefits Scheme-DC**  
**Actuarial Valuation as at 31st December 2023**

<b>Asset Class</b>	<b>Kes. '000'</b>	<b>%</b>
Property	90,000	128,100
Guaranteed Fund	0.00	0.00
Government Securities	0.00	0.00
Quoted Equities	0.00	0.00
Fixed and Call Deposits	3,000	4,300
Net Current Assets	(22,800)	32,400
<b>Total</b>	<b>70,200</b>	<b>100,000</b>
<b>Value of accrued liabilities</b>	<b>31.12.2023</b>	<b>31.12.2020</b>
Current Employees	98.4	116.2
Deferred and Outstanding	13.1	11
Pensioners (including spouses and dependants)	374.3	361.2
<b>Total Liabilities</b>	<b>485,800</b>	<b>488,400</b>
<b>Total Assets</b>	<b>70,200</b>	<b>245,000</b>
<b>Surplus/(Deficit)</b>	<b>(415,600)</b>	<b>(243,400)</b>
<b>Funding Level</b>	<b>14.5%</b>	<b>50.20%</b>

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**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

	2025	2024
	KES'000	KES'000
<b>b) Due to related parties-Molasses Sales</b>		
Agro-Chemical Company Limited	195	195
	=====	=====
<b>c) Key management compensation</b>		
The remuneration for key management during the year was as follows:		
Salaries and other benefits	46,485	48,586
	=====	=====
<b>d) Directors' remuneration</b>		
Fees for services as directors		
Directors Honorarium	667	736
Directors' expenses	19,253	25,753
	=====	=====

**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	202,000	4,400
	-----	-----
	202,000	4,400
	=====	=====

The capital commitments relate primarily to expenditure on factory plant maintenance, crop protection ICT infrastructure and motor vehicles. The company intends to fund these commitments through internally generated funds and loans.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	2025 KES'000	2024 KES'000
<b>34 CONTINGENT LIABILITIES</b>		
Pending claims	64,000	12,000
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)**

***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.

**35 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**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)**

**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.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**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:

	Neither past due nor impaired KES'000	Past due but not impaired KES'000	Impaired KES'000	Total KES'000
<b>30 June 2025</b>				
Trade receivables	-	3,927	24,914	28,841
Due from outgrowers	-	1,365	217,046	218,411
Short term deposits	-	-	-	-
Bank balances	1,663	-	-	1,663
	<hr/>	<hr/>	<hr/>	<hr/>
	1,663	5,292	241,960	248,915
	=====	=====	=====	=====
<b>30 June 2024</b>				
Trade receivables	-	1,341	24,914	26,255
Due from outgrowers	-	1,150	209,900	211,050
Short term deposits	-	-	-	-
Bank balances	8,754	-	-	8,754
	<hr/>	<hr/>	<hr/>	<hr/>
	8,754	2,491	234,814	246,059
	=====	=====	=====	=====

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

	1 – 6 Months KES'000	6 – 12 Months KES'000	Above 1 year KES'000	Total KES'000
<b>At 30 June 2025</b>				
Borrowings	-	-	-	-
Trade payables	-	802,378	-	802,378
Payables to out-growers	263,267	-	-	263,267
	<u>263,267</u>	<u>802,378</u>	<u>-</u>	<u>1,065,645</u>
	1 – 6 Months KES'000	6 – 12 Months KES'000	Above 1 year KES'000	Total KES'000
<b>At 30 June 2024</b>				
Borrowings	-	-	-	-
Trade payables	-	893,533	-	893,533
Payables to outgrowers	192,804	-	-	192,804
	<u>192,804</u>	<u>893,533</u>	<u>-</u>	<u>1,086,337</u>
	=====	=====	=====	=====

**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).

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**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
<b>At 30 June 2025</b>				
Property, plant and equipment	-	8,488,710	-	8,488,710
Biological assets	-	982,035	-	982,035
Investment property	-	303,978	-	303,978
	=====	=====	=====	=====
<b>At 30 June 2024</b>				
Property, plant and equipment	-	8,738,504	-	8,738,504
Biological assets	-	937,083	-	937,083
Investment property	-	303,978	-	303,978
	=====	=====	=====	=====

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.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 CAPITAL MANAGEMENT**

	2025	2024
	KES '000	KES '000
The gearing ratio at the year-end was as follows:		
Shareholders' deficit	1,500,892	2,251,700
	<u>                    </u>	<u>                    </u>
Borrowings (note 26)	-	-
Short term deposits (note 21)	-	-
Cash and bank balances (note 22)	(1,663)	(8,754)
	<u>                    </u>	<u>                    </u>
Net debt	(1,663)	(8,754)
	<u>                    </u>	<u>                    </u>
Gearing ratio	=====	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.

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**PROGRESS ON FOLLOW UP ON AUDITORS RECOMMENDATIONS**

Reference No/Paragraph number on the Audit report	Issue/Observations from Audit report	Management comments	Status:(Resolved/Not resolved)	Timeframe(Put a date when you expect the issue to be resolved)
1. Page 1	<b>Material Uncertainty Related to Going Concern</b>	<p>The company faces an acute financial challenge due to aging factory machinery, accrued loan interests, prolonged drought affecting cane growth and development leading to depleted raw cane material for milling. These factors have made the company not able to fully meet its financial obligations as and when they fall due.</p> <p>However, the Government of Kenya (GOK) leased the factory to West Kenya Sugar Company Limited for 30 years starting 10<sup>th</sup> May 2025 and the new investor is expected to inject more than 5.7 billion into the factory to restore it to profit making status.</p>	Resolved	30.06.2025
2.1 Page 2	<b>Idle Plant</b>	<p>Revaluation was carried out in 2015 by Real Appraisal limited on the idle assets and an impairment recorded as per the revalued figures for each item.</p> <p>The Company started the process of disposing the assets in 2016 after the Ministry of Agriculture gave authority to dispose assorted obsolete equipment supplied by Arkel international to Nzoia Sugar Company Limited. The company invited the Ministry of Public Works to value the idle assets for purpose of disposal and a reserve price was given for every item to be disposed totaling to Kes.217,370,000. The tender for the Sale of Arkel Yard NSC/PUR-21(A)/2016-17 was advertised on 21<sup>st</sup> April 2017 and closed on 9<sup>th</sup> May 2017 in the Standard newspaper. However only 6 items worth Kes.8.6 million attracted bidders from a total of 52 items worth Kes.217.3million translating to minimum expected sale of 4%. The disposal exercise was not successful hence the company did not sell the items.</p> <p>The disposal minutes are attached for your review.</p>	RESOLVE D	30.06.2024

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

		The company is in the process of restarting the disposal process a fresh after the appointment of the company board of directors by the Government of Kenya as per gazette notice no.1902 dated 16 <sup>th</sup> February 2023 and gazette notice no.1905 dated 13 <sup>th</sup> February 2023 attached.		
2.2 Page 2	<b>Installation of CCTV Surveillance System</b>	This project was undertaken by M/S valley point on 15 <sup>th</sup> Nov 2016, there were delays in the completion of the project due to some financial challenges. The project was however completed in March 2021, 10% retention completion certificate issued on 31 <sup>st</sup> March 2021 as attached.	RESOLVE D	
3.1 Page 2	<b>Slow moving and Unutilized Inventories</b>	Nzoia Sugar Company Limited produces brown sugar. Due to increasing demand for white sugar, the Company commenced the process for procurement of syrup clarifier plant that would facilitate the same. In observation of all procurement procedures, this plant was delivered and installed to completion by Suviron equipment PVT limited on 9 <sup>th</sup> of December 2015. . Tender for supply of chemicals i.e. 40 tons of colour precipitants magnafloc LT 7991 and 2 tons of floatation polymer magnafloc LT25 for commissioning syrup clarifier was awarded to Shalini Impex on 30/3/2016. These chemicals were delivered, inspected and received on 9/3/2017. For commissioning of the plant, it was imperative that cane availability is guaranteed to enable the plant run for three months without any major stoppage. We had envisioned this by the time we started the procurement process. However, when we were about to commission the plant, we started experiencing a serious cane shortage due to poaching and drought. This situation saw us mill at least three days in a week which persisted up to the time we closed down the factory. Unfortunate being perishable goods, the chemicals expired.	ONGOING	30.06.2025

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

3.2 Page 3	<b>Uncleared Goods</b>	The company ordered for goods from overseas worth Kes. 142,712,554 to facilitate maintenance of the factory. By the time they arrived at the port the company had started experiencing cash flow challenges due to inadequate raw materials coupled with poor state of the factory. So far goods worth Kes.54,691,092.98 have been delivered and used for factory maintenance .	ONGOING	30.06.2025
4 Page 3	<b>Unsupported Loan on Long Term Borrowings</b>	The National Assembly of Kenya approved plans to revive and commercialize state owned sugar companies on 14 <sup>th</sup> September 2023,write off of debts, levies, taxes and penalties being among the plans as per the Certificate No.039/13 <sup>th</sup> /2023 Of the National Assembly of Kenya.	RESOLVED	30.06.2024
5 Page 3	<b>Unsupported Deferred Income Taxation Liability</b>	The company had engaged the services of a tax consultant to carry out the computation of deferred income tax liability. When the company started experiencing cashflow challenges, the consultant terminated the services citing delayed payment thus the reason for maintaining the same figure. However, the company is in the process of engaging another tax consultant to carry out the tax computation.	ONGOING	30.06.2024
6 Page 3	<b>Unsupported Administrative Expenses</b>	Directors expenses on local travels of Kes.2,059,778 were availed during the audit process as billed by the contracted company, Saints Travel & Safaris Ltd, to procure transport services for the directors. The company is still following up on the requested supporting documents by the auditors and will avail them as soon as they are retrieved.	COMPLETED	30.06.2024
7 Page 4	<b>Unsupported Provisions and Contingent Liabilities</b>	The audit process had already been completed by the time the company lawyers provided independent confirmation letters to support the contingent liabilities. Supporting documents for contingent liabilities have been attached for your review as provided by the company lawyers.	RESOLVED	30.06.2024
1 Page 4	<b>Unsupported Trade and Other Receivables</b>	The company owes most of the suppliers on down-payment money for previous supplies hence they demand for upfront pay for current supplies that the company requires for its	RESOLVED	30.06.2024

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

		operations. The advance payments amounting to Kes.7,461,274 had not been accounted for as at the end of financial year 30 <sup>th</sup> June 2019. So far goods and services amounting to Kes.3,063,397.73 have been delivered.		
2 Page 5	<b>Unpaid Salary and Wages</b>	The Government of Kenya has committed to pay all salary and wages arrears owned to company employees after leasing the company to West Kenya Sugar Company Limited on 10 <sup>th</sup> May 2025.	RESOLVE D	
3 Page 5	<b>Unutilized Investment Property</b>	The house was last occupied seven years ago by a tenant called Sophia Nyambura who generated huge rent arrears totaling to Kes.1,080,000 causing the company to set in motion the distress for rent process. She moved to court vide Nairobi CMCC No.1130 of 2011, obtained an injunction and continued to enjoy the injunction until such time that she moved out of the premises leaving the house in a state of disrepair and vandalism.  The Chief internal auditor after touring the plot in the financial year did a report on its status after which the head of projects went on site to assess the cost involved to get the facility back to the statues of generating revenue. Management has assessed the report but financial constraints have delayed its implementation.	ONGOING	30.06.2025
4 Page 5	<b>Failure to Remit Statutory Deductions</b>	The Company has been undergoing some financial difficulties due to inadequate raw materials owing to cane poaching. This has actually been an industry wide challenge that didn't spare our company. The financial difficulties led to accrual of various obligations, statutory deductions being one of them. The company resumed operations mid-February 2020 and has paid statutory arrears amounting to Kes 200,387,602 as at 30 <sup>th</sup> June 2022 and Kes.266,496,922 as at 28 <sup>th</sup> February 2023	ONGOING	30.06.2024
5 Page 6	<b>Unremitted Retirement Benefits</b>	The Company has been undergoing some financial difficulties due to	ONGOING	30.06.2025

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

	<b>Deductions</b>	inadequate raw materials owing to cane poaching. This has actually been an industry wide challenge that didn't spare our company. The financial difficulties led to accrual of various obligations, retirement benefits being one of them. The company resumed operations mid-February 2020 and has paid retirement benefits arrears amounting to Kes.23,317,083.00 as at 30 <sup>th</sup> June 2022 and Kes.31,138,150.61 as at 28 <sup>th</sup> February 2023.		
1 Page 7	<b>Long Outstanding Staff Receivables</b>	There are ongoing criminal proceedings against the former staff debtors in Bungoma Chief magistrate court criminal case number 12 of 2019  Staff receivables amounting to Kes.34,114,000 are being recovered through the payroll, as at 30 <sup>th</sup> June 2022, Kes.21,322,645 had been recovered and the process is still going on monthly.	ONGOING	30.06.2025
1 Page 2 2022-2023	<b>Goods in Transit</b>	The company ordered for goods from overseas worth Kes. 322,061,668 to facilitate maintenance of the factory. By the time they arrived at the port the company had started experiencing cash flow challenges due to inadequate raw materials coupled with poor state of the factory.  Out of Kes.322,061,668, goods worth Kes.60,000,000 were paid by Agriculture and Food Authority, delivered and used for factory maintenance in July 2022, while goods worth Kes.54,691,092.98 paid by the Company have been delivered and used for factory maintenance as per the attached schedule.	ONGOING	30.06.2025
2 Page 2 2022-2023	<b>Property Plant &amp; Equipment</b>	The revaluation loss of Kes.372,000 on capital work in progress and revaluation gain of Kes.2,292,031 in intangible asset resulting to a revaluation surplus of Kes.1,920,134 on statement of changes in equity is as a result of carrying out a reconciliation of all payments made towards ERP system both to the vendor and Kenya Revenue Authority as per the attached schedule.	ONGOING	30.06.2024

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

3 Page 2 2022-2023	<b>Unsupported Intangible Assets</b>	<p>The revaluation loss of Kes.372,000 on capital work in progress and revaluation gain of Kes.2,292,031 in intangible asset resulting to a revaluation surplus of Kes.1,920,134 on statement of changes in equity is as a result of carrying out a reconciliation of all payments made towards ERP system both to the vendor and Kenya Revenue Authority as per the attached schedule.</p> <p>The net book value of Kes.157,563,000 represents the value of ERP system whose implementation is complete and it is being used by the company in carrying out its day to day operations. The intangible asset is amortised over a period of 20 years as per the intangible asset schedule note.16. The software/system that is fully available for use has been amortised for 20 years from 2017 hence the net value of Kes.157,563,000 as at 30<sup>th</sup> June 2022. All the supporting schedules and documentations to support intangible asset totaling Kes.157,563,000 were available during the audit. The same has been attached for your review.</p>	RESOLVE D	30.06.2024
4 page 2 2022-2023	<b>Non-Servicing of Loans</b>	<p>The National Assembly of Kenya approved plans to revive and commercialize state owned sugar companies on 14<sup>th</sup> September 2023, write off of debts, levies, taxes and penalties being among the plans as per the Certificate No.039/13<sup>th</sup>/2023 Of the National Assembly of Kenya.</p>	RESOLVE D	30.06.2025
5 Page 3 2022-2023	<b>Going Concern</b>	<p>The company faces an acute financial challenge due to aging factory machinery, accrued loan interests, prolonged drought affecting cane growth and development leading to depleted raw cane material for milling. These factors have made the company not able to fully meet its financial obligations as and when they fall due.</p> <p>However, the Government of Kenya (GOK) leased the factory to West Kenya Sugar Company Limited for 30</p>	ON GOING	30.06.2025

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

		years starting 10 <sup>th</sup> May 2025 and the new investor is expected to inject more than 5.7 billion into the factory to restore it to profit making status		
Page 4 2022-2023	<b>Idle Investment Property</b>	<p>The house was last occupied seven years ago by a tenant called Sophia Nyambura who generated huge rent arrears totaling to Kes.1,080,000 causing the company to set in motion the distress for rent process.</p> <p>She moved to court vide Nairobi CMCC No.1130 of 2011, obtained an injunction and continued to enjoy the injunction until such time that she moved out of the premises leaving the house in a state of disrepair and vandalism.</p> <p>The Chief internal auditor after touring the plot in the financial year did a report on its status after which the head of projects went on site to assess the cost involved to get the facility back to the statuses of generating revenue. Management has assessed the report but financial constraints have delayed its implementation.</p>	ONGOING	30.06.2025
1 Page 4 2022-2023	<b>Unresolved Prior Year</b>	The findings as per the certificate signed by the Auditor General have been fully captured and are being addressed.	ON GOING	30.06.2025
2 Page 4 2022-2023	<b>Long Outstanding Trade &amp; Other Payables</b>	The Company has for quite some time experienced cash flow challenges as a result of poor performance of the factory due to lack of maintenance among other factors. This impaired its ability to meet a number of obligations including the Trade and other payables. Partial maintenance was done on the factory in the months of June to August 2022 and there is improved performance. It is envisaged that improved efficiency will increase production that will generate more revenue to meet the accrued obligations.	ON GOING	30.06.2025
3 Page 5 2022-2023	<b>Excess Wage Bills</b>	The company operating TC/TS averaged 16.97 against a target of 11.04 during the year under review due to non-maintenance of factory for the last 6 years leading to frequent factory breakdowns, poor performance by mud filters, turbines, boilers, aged filters and low mill extraction.	ON GOING	30.06.2025

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

		Despite the low total cane to total sugar ratio extraction, the labour costs remained fixed hence exceeding the set legal limit but management expects the ratio to drop to 35% or below when we resume continuously milling. The company completed its annual factory maintenance in August 2022 and expects improved factory efficiency.		
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**APPENDIX 1: PROJECTS IMPLEMENTED BY THE COMPANY**

	<u>Project/Contractor</u>	<u>Year of Budget</u>	<u>Budget (Ksh)</u>	<u>Contract Sum (Ksh)</u>	<u>Amount paid (Ksh)</u>	<u>Ongoing Jobs</u>	<u>%age Comp.</u>	<u>Remarks</u>
1	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
2	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.
3	ERP IMPLEMENTATION	2016/20 17	282,600,000.00	282,600,000.00	212,800,000.00	Ongoing	80	Ongoing
	<b>TOTAL</b>		<b>515,600,000.00</b>	<b>499,474,000.00</b>	<b>356,176,850.00</b>			

**Nzoia Sugar Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**APPENDIX 2: INTER COMPANY TRANSFERS**

The Company had no inter-entity transfers as at the end of 30<sup>th</sup> June 2025

**APPENDIX 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

The Company received Kes.502,599,000 from the Ministry of Agriculture as a Government grant towards settlement of employee's salary and farmers arrears as at the end of 30<sup>th</sup> June 2025.