

REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT



THE NATIONAL ASSEMBLY
PAPERS LAID

OF DATE: 11 FEB 2026

DAY.

WEDNESDAY

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BY:

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C/ton. Kimani Ichung'uwa

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THE TABLE:

J. Lemerelle

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ON

SOUTH NYANZA SUGAR COMPANY LIMITED

FOR THE TEN-MONTH PERIOD
ENDED 30 APRIL, 2025



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SOUTH NYANZA SUGAR COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE TEN MONTH PERIOD ENDED

APRIL 30, 2025

Prepared in accordance with the International Financial Reporting Standards.

South Nyanza Sugar Company Limited
Annual report and Financial Statements for the ten month period ended 30 April 2025

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CORPORATE INFORMATION

Background information

South Nyanza Sugar Company Limited, also known as SonySugar was established by the Act of Parliament under Companies Act (Cap. 486) on 5 July 1976 as a public limited liability Company. The Company grows sugar cane, manufactures and sell sugar. At cabinet level, the entity is represented by the Cabinet Secretary for Agriculture and Livestock Development who is responsible for the general policy and strategic direction of the entity. The entity is domiciled in Kenya.

Our Vision: To be the leading manufacturer of sugar and associated products in Africa.

Our Mission Statement: To manufacture high quality sugar and associated products.

Our values: The mission and vision of the Company shall be accomplished and realized by embracing the following core values: Customer focus, Intrapreneurship, Teamwork, Timeliness, Integrity and Professionalism, Social Responsibility and safety.

DIRECTORS

The Directors who held office during the year and to the date of this report were:

Hon. Jared O. K'Opiyo	Chairman.
Mr. Martine Dima	Managing Director
Mr. Tobias Osano	Alternate – Principal Secretary, Ministry of Agriculture and Livestock Development.
Mr. Humphrey Muhu	Alternate – Cabinet Secretary, the National Treasury (Retired 20.12.2024)
Ms. Elizabeth Shungula	Alternate – Cabinet Secretary, the National Treasury (Appointed 20.12.2024)
Mr. Erick Osenya	Director (Retired 29.11.2024)
Mr. silas Jakakimba	Director (Appointed 29.11.2024)
Ms. Mary Akoth Were	Director.
Ms. Laura Abishag Matiko	Director.
Mr. Kipkoech Kirui	Director.
Ms. Catherine Wangamati	Director.
Mr. Douglas Kailanya	Director

The Directors and alternates continue in office in accordance with the provisions of the articles of association of the Company.

SENIOR MANAGEMENT

Martine Dima	Managing Director
George O. Onyango	Head of Finance (Ag) ICPAK Reg. No. 11886
Maurice Omondi	Company Secretary (Ag) ICPSK Reg. No. 1386
Patrick Mugenya	Head of Manufacturing (Ag)
Benard O. Nyawalo	Head of Marketing & Business Development (Ag)
Boniface Odhiambo	Head of Agriculture (Ag)
Dan Oyamo	Head of Human Resources (Ag)
James Oluoch	Head of ICT
David Achola	Head of Procurement (Ag)
Kennedy O. Onyango	Audit Manager

CORPORATE INFORMATION (CONTINUED)

REGISTERED OFFICE

PO Box 107 - 40405
Sare-Awendo, Migori County,
KENYA

Tel: +254-20 8029201-3
+254 722 205 345/6/7
+254 733 333 348/9

Email: administration@sonysugar.co.ke

Website: www.sonysugar.co.ke

BANKERS

Co-operative Bank
P.O. Box 20818 - 00100
NAIROBI

Kenya Commercial Bank Ltd
P. O. Box 54 - 40400
SUNA

National Bank of Kenya Ltd
P. O. Box 41862 - 00200
NAIROBI

ABSA Bank of Kenya
P. O. Box 99 - 40200
KISII

INDEPENDENT AUDITOR

Office of the Auditor General
Anniversary Towers
P.O. Box 30084 – 00100
NAIROBI.

COMPANY LAWYERS

1. Okongo, Wandago & Co Advocates
SUNA MIGORI

2. Otieno Yogo & Co Advocates
P. O. Box 2453-40100
KISUMU

3. Otieno Ragot & Co Advocates
P. O. Box 1003-40100 KISUMU

4. Moronge & Co Advocates
Electricity House 9th Floor
P. O. Box 44289-00100
NAIROBI

5. TRIPLEOKLAW
P.O. Box 43170-
00100 NAIROBI

BOARD OF DIRECTORS



Hon Jared O. K'opiyo
Board chairman



Mr. Douglas Kailanya
Director



Mr. Martine Dima
Managing Director



Ms. Catherine Wangamati
Director



Mr. Kipkoech Kirui
Director



Ms. Mary Atieno Were
Director



Mr. Silas Jakakimba
Director



Ms. Laura Abishag Matiko
Director



Ms. Elizabeth Shungula
Rep. C.S. National Treasury



Mr. Tobias Okongo Osano
Rep. PS MoA Development

SENIOR MANAGEMENT



Martine Dima
Managing Director
MBA Finance, BSc Mathematics & Chemistry



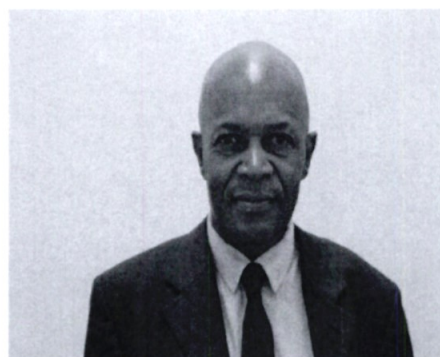
Bonface Odhiambo
Head of Agriculture (Ag)
BSc Agriculture
Diploma in Agricultural Engineering



Patrick Mugenya
Head of Manufacturing (Ag)
BSc Mechanical Engineering



George O. Onyango
Head of Finance (Ag)
MBA, Finance, B. Com, Finance, CPA(K)



Dan B. Oyamo
Head of Human Resource (Ag)
BA – HND Hum. Res. Mgt



Maurice Omondi
Company Secretary (Ag)
LLB Honors



David Achola
Head of Procurement (Ag)
BSc Procurement and Logistics
B.Ed. Econ Professional Dip. CIPS



Benard O. Nyawalo
Head of Marketing and Business Dev. (Ag)
B/COM (Finance) CPAK



James Oluoch
Head of ICT
MBA Strategic Management,
BBA Mgt Info. System



Kennedy Onyango
Audit Manager
MBM Finance, Bsc Accounting, CPA(K), ACCA

CHAIRMAN'S STATEMENT

On behalf of the entire Board of Directors of South Nyanza Sugar Company Limited, I am pleased to announce the financial results for the year ended 30th April 2025.

The year under review was characterized by a tough operating environment both for the company and our stakeholders. While we acknowledge a more challenging operating environment, our underlying business is resilient as indicators still points to a better future following the strategies put in place to revive the Company and the industry in general by the Government.

Implementation of the BETA agenda

Despite operating under a difficult economic environment, our effort was concentrated in supporting The Government's Bottom-Up Economic Transformation Agenda (BETA) covering the following five pillars: Agricultural transformation, Micro, Small and Medium term Enterprise (MSME) economy, Healthcare, Housing and settlement and digital superhighway and creative industry of the Vision 2030 of which agricultural transformation ensures there is adequate food security which strives to have a healthy population. The plan emphasizes on optimization and effectiveness aimed at achieving high productivity. Factory rehabilitation remains a major activity towards achieving our plan. Other activities include improved health care for staff and medical camps to the general public, improved housing facilities to the staff, increasing area under cane through turnaround strategy of increasing sugar production through enhanced efficiency and effective Management Process.

Macroeconomic Environment

Most economic forecasters have painted a picture of contracting global Gross Domestic Product (GDP) rates. Kenya experienced a real GDP growth of 4.9% in the first quarter, compared to the third quarter of 2024, according to the Kenya National Bureau of Statistics (KNBS). This growth was supported by positive performance across various economic sectors, with the Agriculture, Forestry and Fishing sector seeing a 6.0% expansion in the same period.

Inflation rate was 4.1% in the month of April 2025 compared to 4.6% in previous 2024 according to Kenya Bureau of statistics and the economic survey 2025. Just like the last financial year, the inflation was largely due to increase in prices of commodities under Food and Non-alcoholic Beverages, and Housing, Water, Electricity, Gas and other fuels, and Transport.

Kenya's annual economic growth for the period around April 2025 was reported at 4.9% for the third quarter (Q3) of 2025, a figure confirmed by the Kenya National Bureau of Statistics (KNBS). Projections for the full year 2025 from various institutions, including the African Development Bank and the Central Bank of Kenya, suggest a rebound to around 5.3% to 5.4% for the year.

Sugar sub-sector will continue to play a big role in economic development as most sectors in the economy depend on sugar as input in production chain.

Results, Business & Operating Environment

During the year under review, we operated in a turbulent environment marked by low productivity, high costs, outdated technology, and poor infrastructure. Key challenges included fluctuating cane supply due to low farm productivity, inefficient processing and unfair completion through cane poaching. The industry also contended with international pressures like COMESA trade agreements and competition from cheap illegal imports, while farmers faced delayed payments and debt. This situation impacted negatively on the general performance of the company leading to build in pending bills.

Strategic focus

To address the challenges facing Sonysugar and the industry in general, strategic focus involves a shift from public to private management through the leasing of state-owned sugar factories to private investors, aiming to improve efficiency, pay farmers promptly, and inject capital to revive the struggling sector. The government has completed the 30-year leasing of four factories: Nzoia, Chemilil, Sony, and Muhoroni to private firms with expectations of significant private investment and operational efficiency gains. This

CHAIRMAN'S STATEMENT (Continued)

Strategy is part of a broader plan to revitalize the industry by addressing challenges like outdated machinery, debt, and poor management, as well as ensuring the prompt payment of farmers. With plan, I am confident the company and the industry in general is headed for transformation and growth.

Business Review

During the year, Gross revenue increased by 30% from Kshs 3.08 Billion to 4.04 Billion and average recovery ratio increased from 7.6%% to 8.96%. This trajectory is projected to improve further given the strategic reforms the Government is implementing in the industry.

The Sugar Industry

During the year under review, the global sugar sector was characterized by a bearish market due to record production from major producers like Brazil and India, leading to plummeting prices and a bearish outlook for 2025. Despite this, there's a push for advanced manufacturing, focusing on high-tech products like bioplastics and biofuels from sugar by-products. In Kenya, the sector shows signs of revival from previous slumps, with increased domestic production, yet faces continued reliance on imports and ongoing challenges in its value chain.

To address the challenges currently being experienced, the Government has decided lease state owned sugar farms to strategic investors with South Nyanza Sugar Company being leased to Busia Sugar Industries. With this strategic move, the sector is projects to be vibrant in the coming year.

Corporate Governance

I confirm that the Board has displayed great commitment, diligence and effectiveness in carrying out its responsibilities and providing wise guidance to management, ensuring we continue to deliver value to our stakeholders at all times.

Directors are satisfied that the Company has to the best of their knowledge, complied with all applicable laws and conducted its business affairs in accordance with the law. I wish to sincerely thank all the Board members for their contributions during the year.

Conclusion

I would like to thank the Managing Director and the entire staff for the dedication demonstrated during the year under review despite the difficult environment we operated in.



9th May 2025
Hon Jared O. K'Opiyo
Chairman, Board of Directors

REPORT OF THE MANAGING DIRECTOR

I am pleased to present to you performance of South Nyanza Sugar Company Limited (Sonysugar) for the period ended 30 April 2025. The Government of Kenya through Ministry of Agriculture leased out public sugar mills to private investors for thirty years. Sonysugar Company Ltd was leased to Busia Sugar Industries and Management handed over to the lessee on 10 May 2025. The Financial Statements cover a ten month period of the 2024/2025 fiscal year before the leasing contract came into force.

During the period, the Company experienced unfair price wars due to raw material shortage brought about by private millers and jaggeries and unfair competition occasioned by increased presence of cheap imports and counterfeit products in the market. Despite these challenges, we remained focused on our strategic initiative to deliver on our mandate. With an accelerated improvement on efficiency, The Company committed to a steady and reliable performance as we focussed on cane development and preparations for Annual Plant Maintenance was on top gear at the time of leasing.

Operating Volumes

Despite the shortage of raw material in the sector that affected target deliveries, the Company milled 411,524 tons of cane in the period under review against an annual budget of 450,000 tons. This performance was 91.45% achievement on annual budget. In the same period last year, the Company milled 274,639 tons of cane.

The conversion ratio (rendement %) during the period under review was 9.04% against a budget of 10%. This was 0.94 units below the budget. Rendement of 7.60% was realized in the same period last year.

Sugar produced in the period was 37,164 tons against a budget of 45,000 tons. This was 82.59% achievement on annual budget, and is 16,309 tons above the 20,855 tons produced in last year. This increase was due to high volumes of quality cane crushed during the period.

Revenue

The average per ton prices that ruled in the period were lower than the budgeted prices. The average gross price per ton of Kshs. 105,122 was 84.37% achievement of the budgeted gross price of Kshs. 124,598. Total net revenue realized in the period was Kshs. 3,413.46 million against an annual budget of Kes. 4,833.53 million

Production Costs

The cost of production per ton of sugar in the period averaged Kes. 112,331. (867 USD), with a positive contribution margin of Kshs. 19,169 per ton. This significant increase in cost per unit is attributable to high inflation rate, high fixed costs occasioned by low capacity utilization as a result of dilapidated plant. In the 2022/2024 fiscal year, the cost of production per ton of sugar averaged Kshs. 125,981 (973 USD), with a positive contribution margin of Kshs. 7,925.

Farmers Payments

During the period, the Company paid Kshs. 1,562 million to cane farmers and other related service providers including land development contractors, weeders, cane cutters and transporters.

Cane Area

The Company put in measures to secure raw materials from farmers through weekly field demonstration meetings so as to enhance planting and sourcing for mature non-contracted cane. The team leaders for this exercise were area managers in their respective areas. Management also appointed cane scouting team who had been tasked to source for mature cane independent of the areas covered in the field demos.

Managing Director's report (continued)

Business Environment

The current acute cane shortage in the nation will impact negatively to overall production of sugar in the local market. As a result the sugar stocks are projected to be low as compared to projected demand, meaning the sugar prices in the local market are anticipated to be stable in the year 2025-2026 if the current level of duty free sugar imports is controlled.

Additionally inflation rate is also projected to be high in the next year as annual inflation rate in April 2025 eased marginally to 4.1% as reported by Kenya National Bureau of Statistics April 2025. Prices of Fast Moving Consumer Goods (FMCG) are also expected to be high due to the increase of VAT on fuel to 16%. Cross boarder trade and incidences of counterfeits are anticipated to continue. Branded sugar prices is projected to be stable and Management will endeavor to maximize the production and sales of branded sugar with a view of maximizing revenue growth.

Human Capital

The Company recognized the importance of harmonious industrial relations in achieving the current growth. There was constructive engagement between the union and the management that ensured employee participation leading to uninterrupted company operations. Despite financial constraints, The Company attached great importance to the welfare and health of its workers. This was through professionally managed medical centre and provision of comprehensive medical insurance cover in addition to basic needs.

Save for the drop in manning levels occasioned by natural attrition and Government directive that froze staff replacement, resilience demonstrated by this team in achieving the current result was beyond measure. The Company pursued approval of human resource instruments that was to unlock the process and address human capital related challenges alluded thereto. At the time of leasing The Company was current in salary payments except for salary arrears forwarded to the National Treasury for consideration.

Litigation, Legal Exposure & Compliance with Laws

Even though the cases against the company went down significantly due to measures put in place by the management, it still remained a challenge to the company due to several undecided cases. These were cases filed against the Company for breach of cane growing contracts stretching back over 10 years. Management continued to reach out to several complainants, who having lodged claims against the Company, have upon discussions, agreed to withdraw such cases filed against the Company. These measures were expected to reduce the numbers to the limits that are manageable and bring into control litigation against the company.

Strategic Focus

The Company launched a new Strategic Plan on 24 March 2025. We remained confident that our corporate strategy and strategic priorities were to continue to counter the current challenges of high inflation and cane shortage in the industry. Despite limited resources, we had put in place measures aimed at improving efficiency of the factory through Annual Plant Maintenance, raw material sustainability and stakeholders' involvement. Our strategic focus which are in line with the Country's line of sight, Vision 2030 agenda targeted the following broad areas:

1. Agriculture Operations

The period under review was characterised by low cane yield because most fields were not adequately fertilised due to shortage of fertilizer and high cost of farm inputs experienced in the country.

The Company was working on aggressive cane development targeting over 4,000 Ha progressively over the next year. This was a move aimed at bridging the cane shortage gap created through unfair business practices by our competitors through cane poaching.

Managing Director's report (continued)

To ensure steady supply of cane, The Company entered into partnership with the farmers through continuous engagement and training on effective and profitable farming practices.

2. Manufacturing

Despite the current market forces, The Company expected to maintain a favourable outlook and put in measures to remain competitive and guarantee stability.

Annual Plant Maintenance, initially planned for in Quarter 2, was to be undertaken in Quarter 4. Whereas a number of the planned activities had already been undertaken during the Mini Maintenance shutdown of December 2024, many remained to be attended to in order to improve plant availability, reliability and performance. These included;

- i) Repair works on Cane Feed Tables (drag chain replacement, plate works, general service and refurbishment, etc.)
- ii) Overhaul of the mills consisting of headstocks inspection/repair/replacement and re-alignment, replacement of worn out mill rollers and other mill hardware, mill periphery equipment/installations, etc.
- iii) Service of the Mills Centralized Lubrication System,
- iv) General service/repair of pumps, gearboxes, etc.
- v) Plate works of the bagasse conveyors and associated support steelworks.
- vi) Installation, on retrofit basis, of mechanical circulators for Pan 5 & 6
- vii) Service, calibration and testing of electrical protection relays, and de-moisturisation of power transformers,
- viii) Service of SCADA systems for the Mills and Boilers
- ix) Boiler refractory repair works
- x) De-sludging of Spray and Effluent ponds
- xi) General refurbishment/repair of vessels, pipes & fittings (including descaling), valves, etc.

Others

The main raw water supply line from the River Station is weak and prone to failure, thereby disrupting water supply. Its replacement was provided for in the current CAPEX budget

3. Information Communication Technology

We value Information Communication Technology (ICT) as a key in driving the business processes and ensuring data security within the organisation.

We supported investment in ERP systems which we regarded as pillars in driving our competitiveness through capacity building.

4. Business Environment

During the period, the Company operated in an environment that was characterised by continuous changes in sugar prices by private millers occasioned by cane shortages in the industry. Unfair business practices as a result of cane poaching greatly eroded our investment in cane development.

Appreciation

I sincerely thank the Board of Directors for their wise guidance in the implementation of our strategies. Their stewardship of the organisation has been invaluable and essential to our success.

Managing Director's report (continued)

My gratitude also goes to the entire South Nyanza Sugar Company Limited family for their resilience and dedication to our corporate theme of being the best in the industry. As a team, we continued to harness and direct all our efforts in utilization of available opportunities in order to sustain the upward growth in revenue and factory stability.

I also wish to recognise the role played by our esteemed customers and suppliers, who continued to support our various initiatives whenever we called upon them.

Once again, I take this opportunity to express my sincere gratitude to our shareholders; The Principal Secretary, State Department of Crops, Ministry of Agriculture and Livestock Development for visionary leadership and guidance throughout the year, and the Government of Kenya for their distinguished role in helping us achieve our mandate through both policy and budgetary support realized by paying farmers arrears alongside writing off of historical GOK loans.

I beseech you to offer your continued support to the new investor as we aspire to make SonySugar an institution of impact in the country.



9th May 2025

Martine Dima
Managing Director

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The company faced a number of challenges during the period under review due to low level of activities from input output perspective. The Annual Planned Maintenance that was programmed within the month of April was not achieved on target as the leasing of state owned sugar factories was on top gear, the Company did not achieve a 7% Return on Capital Employed (ROCE) as per the strategic plan targets/projection.

During the period ended 30 April 2025, factory performance was adversely affected by:

1. Breakdowns of the auxiliary Cane Carrier due to wear and tear.
2. Breakdowns of the Main Bagasse Carrier (MBC) and Backfeed Elevator (BFE) due to wear and tear of the chain.
3. Breakdowns of Mill Intermediate Carrier No. 1 due to weak chain and chain attachments.
4. Boiler tube failures (leaks)

As a result of the above challenges, the company did not achieve the strategic objectives which were:

1. To achieve a 7 % Return on Capital Employed (ROCE), a positive working capital and a turnover of Kshs.6 billion by 2025.
2. To contribute 10% of the national sugar consumption annually by 2025.
3. To develop two new products and diversify revenue streams by 2025.
4. To sustainably grow, deliver and mill 3000 tonnes of cane per day each year.
5. To enhance efficiency, effectiveness, business continuity and enterprise risk management in business processes of the company.

Unfavorable operating circumstances led to the buildup of material arrears including the following affecting staff and government loans as at close of the year:

No.	Description	Kshs “000”
1.	Trade and other payables	4,375,718
2.	Co-operative bank loan	691,328
3.	Retirement and benefits obligations	265,998

It's noteworthy to point out that the Government of Kenya through Ministry of Agriculture leased out public sugar mills to private investors for thirty years. Sonysugar Company Ltd was leased to Busia Sugar Industries and Management handed over to the lessee on 10 May 2025

STATEMENT ON CORPORATE GOVERNANCE

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

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

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined. After operating without a Board pursuant to dissolution of the Board on the 3th August 2020, the Government did via gazette notice dated 14th April 2023, reconstitute the Board through the appointment of the Board Chairman and six no-executive independent Board members. The Board was however once more dissolved on the 12th May 2025 in view of the reforms being undertaken in State owned Public mills which had led to the mills being leased out to private investors on the 10th May 2025.

Alternate Directors from the parent ministry and National Treasury also sat 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 strive to ensure that the Company complies with the provisions of the constitution and all applicable laws, regulations, codes and applicable standards. The Board had put in place internal procedures and monitoring systems to promote compliance with strategic objectives of the Company and submits compliance reports on all statutory obligations to the respective Government Departments/Agencies within the specified timelines.

In further compliance with the provisions of Mwongozo Code of Conduct, the Board established the requisite Board Committees chaired by members with requisite qualifications and experience in the respective fields so as to ensure that the overall strategic objectives of the Company are achieved.

Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Company and assumed 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. His role is to advise the Board on all corporate governance matters as well as prevailing statutory requirements coupled with taking minutes at all Board meetings/functions.

Directors' qualifications and experience

SN	DIRECTOR	DATE OF APPOINTMENT	COUNTY OF ORIGIN	HIGHEST LEVEL OF EDUCATION
1	HON. JARED O. K'OPIYO	14.04.2023 (BOARD CHAIRMAN)	MIGORI	BACHELOR OF EDUCATION (ARTS)
2.	MR. HUMPHREY MUHU	09.01.2024	KIAMBU	MA, ECONOMICS, BSC STATISTICS; BPhil ECONOMICS,

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		(ALTERNATE TO CS, NATIONAL TREASURY)		DIPLOMA, FINANCIAL MANAGEMENT
3	MS ELIZABETH SHUNGULA	20.12.2024 (ALTERNATE TO CS, NATIONAL TREASURY)	VOI	B/COM (ACCOUNTING), MBA (FINANCE), (CPA K)
4	MR. TOBIAS OSANO	14.04.2023 (ALTERNATE TO PS, PARENT MINISTRY)	HOMABAY	MA (INTERNATIONAL STUDIES – DEV. & COOPERATION) BA (ECONOMICS) , CPA (K)
5	MR. ERICK OSENYA	14.04.2023 (INDEPENDENT DIRECTOR)	KISUMU	PhD INDUSTRIAL PLANNING, MSC INDUSTRIAL PLANNING, DEGREE IN MGT SCIENCE
6	MS. MARY AKOTH WERE	14.04.2023 (INDEPENDENT DIRECTOR)	SIAYA	MA (PROJECT PLANNING & MANAGEMENT), BSC AGRIBUSINES, CPA II
7	MS. LAURA ABISHAG MATIKO	14.04.2023 (INDEPENDENT DIRECTOR)	MIGORI	BSC (PROJECT PLANNING & MANAGEMENT)
8	MR. KIPKOECH KIRUI	14.04.2023 (INDEPENDENT DIRECTOR)	UASIN GISHU	BBM(HR OPTION), DIP HUMAN RESOURCE MANAGEMENT, CPA
9	MS. CATHERINE WANGAMATI	08.09.2023 (INDEPENDENT DIRECTOR)	BUNGOMA	MASTERS OF INTERNATIONAL LAW AND ECONOMICS (MILE) MASTERS OF LAWS POSTGRADUATE DIPLOMA IN LAW, KSL, 2005
10	MR. DOUGLAS KAILANYA	14.04.2023 (INDEPENDENT DIRECTOR)	MERU	MBA (ADMINISTRATION), BCOM ACCTS, (CPAK)
11	Mr. SILAS JAKAKIMBA	29.11.2024 (INDEPENDENT DIRECTOR)	HOMABAY	LLM Policy & Governance, LLB, PGD in Law.

Board Meetings

Meetings of the Board are held on a regular basis as per approved Board calendar. Special and *ad hoc* meetings are called when it deems necessary to do so in order to handle an urgent matter that could not otherwise await a normal Board meeting.

Board Committees

The Company has four committees as tabled below. A Committee is intended to facilitate efficient decision making of the Board in the discharge of its mandate and obligations.

Finance Committee	Mr. Douglas Kailanya - Chairman
	Ms. Catherine N. Wangamati
	Mr. Tobias Osano
	Ms. Elizabeth Shungula
Operations Committee	Mr. Silas Jakakimba - Chairman
	Ms. Laura Abishag Matiko

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	Ms. Catherine N. Wangamati
	Mr. Tobias Osano
Risk & Audit Committee	Ms. Mary Akoth Were - Chairman
	Mr. Kipkoech Kirui
	Ms. Laura Abishag Matiko
	Ms. Elizabeth Shungula
General Purposes Committee	Ms. Catherine Wangamati - Chairman
	Mr. Kipkoech Kirui
	Ms. Mary Akoth Were
	Mr. Silas Jakakimba

Relevant Committees of the Board are as discussed below:

Board Audit & Risk Committee

This is one of the mandatory committees mentioned in the Mwongozo Code of Governance for State Corporations. The Committee assists the Board in fulfilling its corporate governance responsibilities and in particular to;

- a) Review effectiveness of the Company's internal control system to ensure adherence to the framework for financial regulations.
- b) Provide comprehensive view of the organization's risk profile to the Board of Directors.
- c) Review compliance with relevant legislations, policies and procedures.
- d) Liaise with the external auditors on Company's Audit matters.
- e) Review the adequacy of accounting, financial and operational controls.
- f) Coordinating decision making to ensure consistency in the risk management process.
- g) Monitor the on-going performance of the Enterprise Risk Management Process.
- h) Review completeness and accuracy of financial statements and disclosures in accordance with financial reporting standards and applicable rules and regulations.
- i) Review whether the Company has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgments.
- j) Clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context.
- k) Related information presented with the financial statements, including the business review, and corporate governance statements relating to the audit and to risk management.
- l) Ensure that strategic plan and strategic risks are periodically reviewed.

General Purpose Committee

The Committee reviews all staff related policies and provides recommendations on issues relating to all human resource matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare and in particular:-

- a. To approve review of remuneration and allowance of staff.
- b. To interview, promote or discipline all staff falling on grade SE 3 and above.
- c. To act as an appellate body for staff in matters of discipline.
- d. To handle all matters touching on staff which would require the attention of the Board.

- e. To undertake/perform any other duties which may from time to time be delegated to the Committee by the Board.

Board Finance Committee

The Committee assists the Board in fulfilling its oversight responsibilities relating to the Company's finance, procurement, investment strategies, projects and related activities. The focus of this committee is on the following:-

- a. Review of Financial Management Systems to ensure compliance thereof.
- b. Adoption and review of Accounting policies and practices in line with general Accounting principles.
- c. Advising on Financial Management issues.
- d. Advising on appropriate Capital of the Company.
- e. To Develop Latest Estimates, budgeting and put budgetary controls in place.
- f. Developing and reviewing Performance Contract.
- g. Review of quarterly, half-year and year-end financial statements of the Company focusing particularly on Performance.
- h. Overseeing financial accounting reporting compliance.
- i. To ensure proper Accounting documents are in place.
- j. Oversight responsibility on Management Tender Committee (MTC). MTC to provide quarterly progress reports on procurement to FC.
- k. To review Annual Procurement Plan in relation to budget estimates
- l. To ensure efficient and effective procurement and stores management
- m. Oversight responsibility on ICT issues

Operations Committee

The Committee assists the Board in fulfilling its oversight responsibilities on operations issues such as agriculture, factory performance, marketing and related issues and in particular to:-

- a. Take stock of the position of the factory plant and equipment and ensure that its capacity is optimized.
- b. Review and consider expansion of the factory crushing capacity, expansion of cane area and new sugar markets.
- c. Continuously monitor and review issues affecting the key operations of the Company by receiving and reviewing periodic reports from operational departments.
- d. oversight role over:-
- e. Quality issues
- f. Development of new projects
- g. Research and Development
- h. Planning in Agriculture department.
- i. Any other related task that may be delegated to the Committee from time to time by the Board of Directors.

Risk Management and Internal Controls

The Company has established a Risk Management Policy and Framework which enables Management to consider Risk Implications in all Investments Decisions. This has helped the Company minimize exposure to Risks that may impede efforts to achieve its set Strategic Objectives.

Effective Risk Management Process has been achieved through continuous risk assessment by the respective functional Heads and put in place mitigation strategies on risks facing the Organization. Internal Audit Department also plays a major role in continuous monitoring as well as identification of emerging risks and provide timely reports to the Board Audit and Risk Committee on the effectiveness of Risk Management Process

The Company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Company.

The Board also considers management accounts for each quarter, reports from each Board Committee, annual budgetary proposals and major emerging events

(STATEMENT ON CORPORATE GOVERNANCE CONTINUED)

Directors' Emoluments and Loans

During the period 1st July 2024 to 30th April 2025, the aggregate amount of emoluments paid to directors during the financial year is as tabulated below.

Creating Shareholders' Value

In order to assure shareholders on the Company's commitment to activities that create and enhance shareholder value, the Board signs a performance contract with the Government and sets corporate performance strategies with Management. The Board also continues to perform an annual evaluation exercise to review and audit its role, success and areas of improvements so as to meet the challenges envisaged at the beginning of each year.

Board Meetings

The Board holds meetings on a regular basis as per the approved Board calendar. Special meetings are called when it is deemed necessary to do so in order to handle an urgent matter that was not reasonably foreseen (as at the time of drafting the Board calendar) and which cannot otherwise await a normal Board meeting. In the period under review Board meetings were held as tabulated below:-

S/N	Meeting	Approved	Actual	Actual period 10 'Kes'	Spent Approved Budget 'Kes'
1	Finance Committee	3	3 Ordinary meetings	2,225,169	3,421,736
2	Operations Committee	3	1 Special meeting	2,029,149	3,421,736
3	General Purposes Committee	3	2 Ordinary meetings	2,414,259	3,421,736
4	Risk And Audit Committee	3	3 Ordinary meetings	2,029,129	3,421,736
5	Main Board Meeting	3	1 Special meeting	5,074,229	5,702,048
	Special Committee meetings (GPC& Audit)	3	3 Ordinary meetings	3,290,724	4,696,224
6	Main Board Special Meetings	3	5 Ordinary meetings	3,348,949	3,702,048
7	Other Board activities		3 Special meetings	3,234,676	2,212,736
	Total			23,646,284	30,000,000

STATEMENT ON CORPORATE GOVERNANCE CONTINUED)

Fiduciary management and Oversight arrangements

The Company's daily operations are carried out by the management on behalf of the board of directors (BOD). Management reports to the BOD at a minimum on quarterly basis or anytime if there's an urgent matter that might not wait for the planned meeting in the BOD calendar. Tabled below are the heads of departments for various roles and also the audit manager who also oversees what management does and reports to the BOD directly.

Mr. Martine Dima	Managing Director
Mr. George Onyango	Head of Finance (Ag)
Mr. Maurice Omondi	Company Secretary (Ag)
Mr. Patrick Mugenya	Head of Manufacturing (Ag)
Mr. Bonface Odhiambo	Head of Agriculture (Ag)
Mr. Joseph Kegwaro	Head of Marketing & Business Development (Ag)
Mr. Dan Oyamo	Head of Human Resources (Ag)
Mr. James Oluoch	Head of ICT
Mr. David Achola	Head of Procurement (Ag)
Mr. Kennedy Onyango	Audit Manager

MANAGEMENT DISCUSSION AND ANALYSIS

The table below analyses the performance of the company during the period ended 30.04.2025

	ACTUAL	BUDGET	ACTUAL	ACTUAL	ACTUAL
OPERATIONS DATA	2024- 2025	2023 2024	2023-2024	2022-2023	2021-2022
Tons of Cane Milled	411,524	450,000	274,639	457,616	497,552
Tons of Sugar Bagged	37,164	45,000	20,855	40,580	42,105
Tons of Sugar Sold	37,667	45,000	20,228	40,509	41,406
Tons of Molasses Sold	15,665	16,500	7,897	15,600	20,061
FINANCIAL DATA	ACTUAL	BUDGET	ACTUAL	ACTUAL	ACTUAL
	Ksh'000'	Ksh'000'	Ksh'000'	Ksh'000'	Ksh'000'
Sales Revenue	3,483,254	4,833,527	2,451,381	4,176,335	3,635,273
Other Revenue	26,524	252,151	220,535	252,260	2,411
Total Revenue	3,509,778	5,085,678	2,671,916	4,428,595	3,637,684
Total Direct Costs	2,655,494	2,252,726	2,362,184	2,191,349	2,251,600
Total In-Direct Costs	2,242,892	2,661,133	878,696	2,325,895	1,782,505
Total Operating Costs	4,898,386	4,913,859	3,240,880	4,517,244	4,034,105
Operating Profit/(Loss)	(1,388,608)	171,819	(568,964)	(88,649)	(396,421)
Finance Costs	93,976	108,484	(130,872)	426,336	(120,414)
Pre Tax Profit/Loss	(1,482,584)	63,336	(699,836)	(514,985)	(516,835)
Corporation Tax	-	(19,001)	(3,718)	(862)	-
Profit/Loss After Tax	(1,482,584)	44,335	(703,554)	(515,847)	(516,835)

PER TONNE (KSHS.)	ACTUAL	BUDGET	VARIANCE	Jun-24	% Change
Revenue - Gross	105,259	124,598	- 19,476	140,580	-25%
Revenue - Net	90,740	107,412	- 16,790	121,190	-35%
Direct Cost per Ton	71,453	50,061	(21,393)	113,265	41%
Contribution Margin	19,287	57,351	(38,183)	7,925	(45,990)

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Indirect Cost Per Tonne	40,878	7,950	(32,928)	12,716	-221%
Total Cost - Before fin. charges	112,331	58,011	(54,321)	125,981	11%
Finance Charges	24,521	2,411	(18,637)	12,983	-89%
Total Cost - After finance charges	136,852	60,421	(72,957)	138,963	2%
Payment to farmer	56,257	46,442	162,174	73,204	(489)
Direct Cost Per 50Kg Bag	3,573	2,503	(1,070)	5,663	36.9%
Total Cost per 50Kg Bag	6,843	3,021	(3,648)	6,948	1.5%
Gross Revenue per 50Kg Bag	5,263	6,230	(974)	7,029	25.1%
Net Revenue per 50Kg Bag	4,537	5,371	(839)	6,059	25.1%

Five year performance Summary

Year	30-April-25	30-Jun-24	30-Jun-23	30-Jun-22	30-Jun-21
Statement of comprehensive income	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000
Revenue	3,483,254	2,671,916	4,422,305	3,635,362	2,054,057
Loss after tax	(1,482,584)	(703,554)	(515,847)	(516,942)	(1,306,386)
Year	30-April-25	30-Jun-24	30-Jun-23	30-Jun-22	30-Jun-21
Statement of financial position	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000
Total assets	4,805,114	4,946,788	4,998,066	5,228,067	5,250,733
Total liabilities	5,395,546	5,983,077	9,826,257	9,583,495	9,101,152
Total equity	(590,432)	(1,036,289)	(4,828,191)	(4,355,428)	(3,850,419)
Net working capital	(3,432,322)	(2,498,287)	(7,076,019)	(6,691,358)	(6,509,515)

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Five year operational performance summary					
	30-April-25	30-Jun-24	30-Jun-23	30-Jun-22	30-Jun-21
Milled cane(tons)	411,524	274,639	457,616	497,552	370,301
Sugar sold(tons)	37,164	20,228	40,509	41,406	25,749

Operating Volumes

The Company milled 411,524 tons of cane in the period under review against an annual budget of 450,000 tons. This performance was 91.45% achievement on annual budget. In the same period last year, the Company milled 274,639 tons of cane.

The conversion ratio (rendement %) during the period under review was 9.04% against a budget of 10%. This was 0.94 units below the budget. Rendement of 7.60% was realized in the same period last year.

Sugar produced in the period was 37,164 tons against a budget of 45,000 tons. This was 82.59% achievement on annual budget, and is 16,309 tons above the 20,855 tons produced in last year. This increase was due to high volumes of quality cane crushed during the period.

Revenue

The average per ton prices that ruled in the period were lower than the budgeted prices. The average gross price per ton of Kshs. 105,259 was 84.48% achievement of the budgeted gross price of Kshs. 124,598. Total net revenue realized in the period was Kshs. 3,417.91 million against an annual budget of Kes. 4,833.53 million

Production Costs

The cost of production per ton of sugar in the period averaged Kes. 112,331. (867 USD), with a positive contribution margin of Kshs. 19,287 per ton. This significant increase in cost per unit is attributable to high inflation rate, high fixed costs occasioned by low capacity utilization as a result of dilapidated plant. In the 2023/2024 fiscal year, the cost of production per ton of sugar averaged Kshs. 125,981 (973 USD), with a positive contribution margin of Kshs. 7,925.

Farmers Payments

During the period, the Company paid Kshs. 1,562 million to cane farmers and other related service providers including land development contractors, weeders, cane cutters and transporters.

Environment and Sustainability reporting

The Company implemented a number of Corporate Social Responsibility (CSR) initiatives within the review period which were aimed at sustaining good relationship with the community.

In terms of road maintenance, a total of 200 kilometres of roads was maintained within the station, the nucleus and outgrower regions. The maintenance incorporated grading and gravelling operations.

In education, the Company continued to support the SonySugar Nursery, SonySugar Complex school and Sony Sugar Comprehensive School to offer quality and subsidized education to the children of employees and the local community by maintaining the institution's physical environment, ensuring proper infrastructure, security and meeting the welfare requirements of teachers and all employees of the two schools.

On disaster mitigation, the Company intervened in accidental fires within its residential housing, nucleus estates, out-grower zones and other areas within Migori County, using its own firefighting engine. The stand-by ambulance at the Medical Center has assisted in reliable medical referrals hence saving lives.

On environmental conservation, the Company continued to partner with Equity Group Foundation to plant 15,000 tree seedlings within the nucleus estate.

On employees' welfare, SonySugar continued to provide affordable housing to the employees of diverse carders, with clean and safe water in adequate quantities. The Company also maintained both the internal and external housing units' environments.

To ensure a healthy workforce, the Company equipped the Sony Medical Centre with drugs, equipment and workforce to ensure smooth operation, provision of requisite services to the employees and the local community at subsidized rates.

In terms of social welfare, SonySugar issued gift sugar to government and faith based organizations upon request, to support the community and endear the corporate image to the locals.

SonySugar continued to support St John Ambulance team as well as Scouting activities at the Sony Complex School and Sony Sugar Comprehensive School, which offer free first aid services both to the employees and the community when the need arises.

The Company ensured the Ndege-Oriedo transloading site borehole sunk at Kamagambo in Rongo Sub County continued to supply clean and safe water to 600 households

SonySugar in addition, implemented the government policies intended to achieve inclusivity and equity to all segments of the society such as availing tender opportunities to the youth, women and persons with disabilities with Access to Government Procurement (AGPO) certification. On cohesion, inclusivity and diversity, the company upheld the Access and Opportunities Act and ensured the workforce consisted of people from all cultures, religions, ethnicities and irrespective of age, gender, marital status, sexual orientation or physical or mental disability.

On talent and career building, the Company sponsored the Sony Nursery children to participate in the local, regional and national drama festivals. The Company additionally supported staff who are members of professional bodies in terms of annual membership subscriptions and training opportunities. The Company also offered opportunities to young professionals with various professional backgrounds in the Public Service Commission Internship programme and well as availing chances to volunteers as periodic staff to exercise their academic knowledge gained and acquire more practical experience. Furthermore, the

Company offered industrial attachment opportunities to over 1000 students from various institutions within the financial year.

Environment and Sustainability reporting (Contd)

In order to maintain/sustain the environment, the Company has put in place several measures to eliminate or minimize the exploitation / pollution of the environment

The Company is certified in ISO 9001 (QMS) and 14001 (EMS) and is compliant to EMCA ACT 2015 and OSHA ACT 2007 requirements. In order to comply with the two acts, the company fire engine and ambulance has been on standby and responded to emergencies within the company and the community.

The Company is certified in ISO 9001 (QMS) and 14001 (EMS) and is compliant to EMCA ACT 2015 and OSHA ACT 2007 requirements. In order to comply with the two acts, the company fire engine and ambulance has been on standby and responded to emergencies within the company and the community.

The Company maintains its ground, carryout landscaping, sanitation, and manages its waste (both liquid and solid). The Company has a tree nursery where tree seedlings are developed and nurtured for purposes of afforestation and re afforestation within the Company and its environs.

In short, the Company has different departments that are responsible for quality inspection, control and assurance of systems, processes, products and services. Management systems are in place to ensure all process are controlled within allowable limits and compliance to regulatory institutions are observed with utmost care.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of South Nyanza Sugar Company Limited (the 'Company') for the year ended 30 April 2025.

PRINCIPAL ACTIVITIES

The principal activity of the company is to grow sugar cane, manufacture and sell sugar with molasses as a by-product.

BUSINESS REVIEW

A review of the business of the company is incorporated within the report of the Managing Director on pages xi– xiv.

Production and sales

The following are the comparative statistics of cane deliveries and sugar production for the year ended 30 April 2025.

Cane milled (tons)	2025 30 April	2024 30 June
Nucleus estate	103,055	79,963
Outgrowers	412,799	194,696
Total	515,854	274,639
Sugar Produced (tons)	37,164	20,855
Rendement	9.04%	7.60%

DIVIDEND

The net loss for the period ended 30 April 2025 of Kshs 1,482,583,966 (30th June 2024: net loss of Kshs 703,790,229) has been added to accumulated losses. The decision on dividend will be made at AGM.

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 2 of this report.

DISCLOSURE OF INFORMATION TO AUDITORS

The management confirm that with respect to each manager at the time of issue of this report:

- a) there was, as far as each manager is aware, no relevant audit information of which the company's auditor is unaware; and

- b) each manager had taken all steps that ought to have been taken as a manager so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report (continued)

AUDITORS

The Auditor General is responsible for the Statutory Audit of South Nyanza Sugar Company Limited in accordance with Article 229 of the constitution of Kenya and section 48 of the Public Audit Act 2018 for the period ended 30 April 2025.

EMPLOYEES

We are pleased once again to record their appreciation for the untiring effort of all employees of the company.



9th May 2025

Maurice Omondi
Company Secretary (Ag).

STATEMENTS OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements which give a true and fair view of the state of affairs and the operating results for that year/period. The Directors are required to ensure that Sonysugar Co. Ltd keeps proper accounting records which disclose with reasonable accuracy the financial position of the organization. The Directors are also responsible for safeguarding the assets of the organization.

Sonysugar Co. Ltd Directors are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of Sonysugar Co. Ltd for financial year ended April 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Sonysugar; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Sonysugar Co. Ltd; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Sonysugar Co. Ltd financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act 2015, PFM Act, 2012 and the State Corporations Act section 14. The Directors are of the opinion that Sonysugar Co. Ltd financial statements give a true and fair view of the state of Sonysugar's transactions during the financial year ended April 30, 2025, and Sonysugar's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Sonysugar Co. Ltd, which have been relied upon in the preparation of Sonysugar's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Subject to the comments and the conclusions made in Note 2 (a) of these financial statements, the directors believe that the Company will remain a going concern for at least twelve months from the date of this statement.

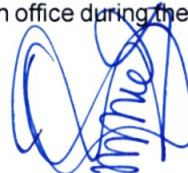
The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approval of the financial statements

The Board of Directors term ended on 12 May 2025 following the leasing of the public sugar mills to private investors. The financial statements for the period ended 30 April 2025 have been signed on behalf of the board of directors by the chairman and Managing director who were in office during the period under review.



Hon. Jared O. K'Opiyo
Chairman, Board of Directors
9th May 2025



Martin Dima
Managing Director
9th May 2025

REPUBLIC OF KENYA



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REPORT OF THE AUDITOR-GENERAL ON SOUTH NYANZA SUGAR COMPANY LIMITED FOR THE TEN-MONTH PERIOD ENDED 30 APRIL, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of South Nyanza Sugar Company Limited set out on pages 1 to 57, which comprise the statement of financial position as at 30 April, 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 ten-month period then ended, and a summary of significant accounting policies and other explanatory

information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of South Nyanza Sugar Company Limited as at 30 April, 2025 and of its financial performance and its cash flows for the ten-month period then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Inaccuracies in the Financial Statements

The statement of financial position reflects trade and other payables balance of Kshs.4,377,499,000, while the corresponding Note 26 to the financial statements and the trial balance indicated balance of Kshs.4,375,718,000, resulting in an unreconciled variance of Kshs.1,781,000.

Note 28 - cash generated from operations - reflects changes in working capital amount of Kshs.393,979,000 in respect of out-growers' balances, which differs with the recomputed amount of Kshs.59,781,000, resulting in an unreconciled variance of Kshs.334,198,000.

Similarly, Note 28 reflects changes in biological assets amount of Kshs.469,000 while recalculation yielded an amount of Kshs.77,460,000, resulting in an unreconciled variance of Kshs.76,991,000.

In the circumstances, the accuracy and fair presentation of the financial statements could not be confirmed.

2.0. Unsupported Inventories Balance

The statement of financial position and as disclosed in Note 17 to the financial statements reflects inventories balance of Kshs.386,880,000. However, Management did not provide signed stock take reports as at the closure of the period for audit in support the balance.

In the circumstance, the accuracy and completeness of the inventories balance of Kshs.386,880,000 could not be confirmed.

3.0. Unsupported Retirement Benefits Obligation Balance

The statement of financial position and as disclosed in Note 29 to the financial statement reflects retirement benefits obligation balance of Kshs.265,999,000, whose supporting schedule or records were provided for audit review.

In the circumstances, the accuracy and completeness of the retirement benefits obligation balance of Kshs.265,999,000 could not be confirmed.

4.0. Unsupported Accumulated Grants Fully Amortized Amount

The statement of changes in equity reflects a restated debit opening balance of accumulated losses of Kshs.3,015,426,000. However, the previous year's audited financial statements reflected a closing debit balance of Kshs.4,943,867,000 resulting to a variance of Kshs. 1,928,441,000. Management attributed the as the accumulated grants fully amortized but was not supported by way of documentary evidence.

In the circumstances, the accuracy and completeness of grants amortization of Kshs. 1,928,441,000 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the South Nyanza Sugar Company Limited 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

I draw attention to Note 4 to the financial statements, which indicates that the Company incurred a net loss after tax of Kshs.1,482,584,000 during the period and had accumulated losses of Kshs.4,498,010,000 as at 30 April, 2025. In addition, the Company's current liabilities of Kshs.4,381,217,000 exceeded its current assets of Kshs.948,895,000, resulting in a negative working capital of Kshs. 3,432,322,000. These conditions indicate existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. Management has indicated that the Company was leased out to Busia Sugar Company Limited on 10 May, 2025 and believes that it will continue in operational existence as a going concern throughout the lease period of thirty (30) years, and that the Company's future also depended on the National Government settling all its liabilities as per the Lease Agreement.

My Opinion is not modified in respect of this matter.

Emphasis of Matter

1.0. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts budget and actual amounts of Kshs.4,572,880 and Kshs.4,398,868 respectively resulting in underfunding of revenue of Kshs.174,012 or 4% of the budget. Similarly, the Company incurred capital expenditure of Kshs.5,558,000 against an approved budget of Kshs.520,217,000, resulting in underfunding of Kshs.514,659,000 or 99% of the budget.

Further, the company incurred total operational expenditure of Kshs.4,382,480,000 against an approved budget of Kshs.3,952,111,000, resulting in an over expenditure of Kshs.430,369,000 or 11% of the budget.

The underfunding affected planned activities and may have negatively affected the operations and development of the Company.

2.0. Long Outstanding Payables

The statement of financial position, and as disclosed in Note 26 to the financial statements, reflects trade and other payables balance of Kshs.4,377,499,000 which includes trade payables of Kshs.569,476,000. The money was owed to various suppliers of goods and services. Analysis of the creditors' aging report and accounts revealed that payables amounting to Kshs.247,015,769 had been outstanding for more than a year. Failure to settle trade payables during the year to which they relate adversely affects the budgetary provisions for the subsequent year as they form a first charge.

3.0. Non-payment of Loan

The statement of financial position, and as disclosed in Note 27 to the financial statements, reflect borrowings balance of Kshs.691,328,000. Review of records revealed that the Company obtained a loan facility from Cooperative Bank of Kenya Limited. According to the offer letter dated 21 November, 2024, the bank rebooked the outstanding loan principal amount of Kshs.625,946,960 to be repaid in thirty-five (35) months, inclusive of six (6) months moratorium period on principal, at an interest rate of 20.50% per annum. Further, the accrued interest and any penalty thereon were to be consolidated with the outstanding loan and rebooked. Review of the bank loan statement as at 30 April, 2025 revealed an accrued interest amounting to Kshs.65,393,864, resulting in an outstanding loan balance of Kshs.691,328,174, consequently increasing the cost of the initial bank loan.

In the circumstances, the non-payment of the loan has led to the ballooning of the debt to unsustainable levels.

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 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

1.0. Unresolved Prior Year Matters

In the prior year audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Company in 2024/2025 revealed that the following matters remained unresolved as at 30 June, 2025:

S/No.	Audit Issue
1	Receivables from Out Growers
2	Regularity of Outstanding Legal Expenses
3	Material Uncertainty Related to Going Concern
4	Budgetary Control and Performance
5	Poor Rendement (Yield) Below Industry Standard

Report of the Auditor-General on South Nyanza Sugar Company Limited for the period ended 30 April, 2025

S/No.	Audit Issue
6	Non-Compliance with the Law on Ethnic Diversity in Staffing and Gender
7	Lack of an Updated House Rates to the Prevailing Market Rates
8	Failure to Maintain an Asset Sinking Fund-Property Plant and Equipment
9	Unremitted Statutory Deductions and Retirement Benefits

2.0. Leasing of South Nyanza Sugar Company

South Nyanza Sugar Company Limited was established on 5 July 1976 under the Companies Act Cap 486 with the mandate to grow, manufacture and sell sugar. On 10 May, 2025 the company was leased out to Busia Sugar with the Government undertaking to settle all liabilities. A leasing transition committee was formed to oversee the transfer of assets and liabilities, workforce transition, preparation of documentations and agreements, oversight and reporting, and dispute resolutions. Review of the Company affairs in the period under review revealed that, the lessee took over the management of the Company before the leasing transition committee could document all the company assets and liabilities for a proper handover. In addition, the financial statements under review have not disclosed the liabilities arising from the leasing arrangement, especially those touching on employee remuneration. Financial statements presented for audit review were not approved by the Company's board due to its dissolution and therefore the role of the board in ensuring the financial statements are free from material errors and misstatement was not effective. Furthermore, the financial statements have not disclosed appropriately the fact that amounts presented in the financial statements are not comparable.

Other Information

The Management is responsible for the Other Information set out on page ii to xxviii which comprises Corporate Information, Board of Directors, Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermine Objectives, Statement of Corporate Governance, Management Discussion and Analysis, Environment and Sustainability Report, Report of the Directors and the 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, 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 the 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

1.0. Rendement (Yield) Below the Industry Standards

Records provided for audit indicated that the Company milled 412,799 tonnes of cane and produced only 36,976 tonnes of sugar or (8.96%) rendement. The cane crushed was below the recommended industry standard of 10% set by Regulation 21(a) of the Crop Sugar Regulations, 2020.

In the circumstances, the efficiency of the factory was below the industry standards.

2.0. Under Payment of Tax on Sitting Allowance

Review of the allowances paid to the Chairman and directors of the Company revealed an underpayment of tax on sitting allowances of Kshs.270,000. The guidelines provide for a taxable sitting allowance of Kshs.20,000 which translates to Kshs.14,000 after tax. However, the Company had been paying the sitting allowance at a rate of Kshs.15,000 after tax hence leading to the underpayment. It was further observed that the tax deducted was not paid by the 9th of the next month following the deduction as required by the law.

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

3.0. Non-Compliance with Social Health Insurance Act

Review of the Company's payrolls revealed that the contributions to Social Health Insurance Fund (SHIF) were not deducted until February, 2025. The Government had issued guidelines that the commencement date should be October, 2024. Management did not deduct a total of Kshs.13,119,667 out of which, Kshs.8,463,061 were from contract employees and Kshs.4,656,605 from permanent employees.

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

4.0. Irregularities in the Human Resource Management Practices

4.1. Non-Compliance with Gender Requirements

Review of personnel records revealed that the Company had a total of one thousand five hundred and sixty three (1563) employees out of whom, one thousand two hundred and ninety two (1,292) or 83% were of the male gender, while two hundred and seventy one (271) or 17% belonged to the female gender. This was contrary to Article 27(8) of the Constitution of Kenya, 2010, which provides that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

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

4.2. Non-Compliance with the Law on Ethnic Diversity in Staffing

Review of human resource records for the period revealed that the Company had a total of 1563 employees out of whom, 1374 or 88 % were from the same ethnic

community, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

4.3. Non-Compliance with the Law on Employment of Persons with Disabilities

Review of human resource records as at 31 March, 2025 revealed that only twenty two (22) out of one thousand five hundred and sixty three (1,563) total employees were persons with disabilities. This represents 1.4%, contrary to Section 13 of the Persons with Disabilities Act, 2003 that requires a minimum of 5%.

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

5.0. Delayed Surrender of Imprest

Review of the Company imprest register revealed imprests amounting to Kshs.2,699,430 as at 30 April, 2025 that had been outstanding for periods between one month and ten months, contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station.

In addition, the company issued multiple imprests to individuals. This was contrary to Regulation 93(4) (b) of the Public Finance Management (National Government) Regulations, 2015 which states that before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant has no outstanding imprests.

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

6.0. Deteriorating Value of Biological Assets

The statement of financial position, and as disclosed in Note 16 to the financial statements, reflects biological assets balance of Kshs.224,770,000. Review of biological assets register maintained by the Company and valuation report of biological asset report as at 30 April, 2025 provided for audit revealed biological asset valued at Kshs.1,424,000 which comprised eight (8) calves, (8) bulls and eighteen (18) cows. However physical verification of the biological assets conducted on 12 May, 2025 revealed that, twelve (12) cows had been recommended for sale/disposal due to old age and sickness, three (3) months later the cows had not been disposed and two (2) had already died, contrary to Section 162(3) of the Public Procurement and Asset Disposal Act, 2015 which requires that stores, inventory and assets that are procured by a public entity not to be allowed to suffer deterioration from any preventable cause. In addition, the animals had not been tagged/labeled hence, identifying them was hard. Most of the cows were in poor condition of skin disease, loss of weight and old age and the Management did not demonstrate any effort to address the issues. Furthermore, from the daily production records, it was noted that the average production per cow was 1.5ltrs of milk per day which was uneconomical.

In the circumstances, the viability of the biological assets valued at Kshs.224,770,000 remains doubtful.

7.0. Unutilized Asset

The assets register of the Company included an EOT crane which was procured at a cost of Kshs.22,852,000. Contracts for installation and commissioning of the crane in respect of electrical works and mechanical works were issued at a cost of Kshs.2,583,436 and Kshs.4,996,468 respectively bringing the total amount spent to Kshs.30,431,904. However, physical verification of the crane revealed that it had never been used since installation eighty-four (84) months ago. Management explained that the specifications of the asset did not conform to the plant setting and needed further modifications.

In the circumstances, the value for money has not been realized from the expenditure of Kshs.30,431,904 on the EOT crane.

8.0. Irregular Use of Direct Procurement Method

The statement of profit or loss and other comprehensive income, and as disclosed in Note 10 to the financial statements, reflects administrative expenses amount of Kshs.2,178,867,000 which includes Kshs.43,617,000 in respect of repairs and maintenance. Included in the latter amount is a payment of Kshs.1,478,199 to a firm for the rewinding and servicing of centrifugal Motor stator for A3 Machine. Review of the procurement process revealed that on 11 December, 2023, the Managing Director approved request by the Head of Procurement to use direct procurement method citing urgent need for repair works and services of the Motor owing to a catastrophic event as the main reason. However, the professional opinion was signed on 16 February, 2024, while the completion certificate, which was signed on 7 January, 2025, indicated that the task was completed on 16 October, 2024. Therefore, basis for the request to use direct procurement was not justifiable. This was contrary to the provisions of Section 103 (2) of the Public Procurement and Asset Disposal Act 2015.

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

9.0. Irregular Procurement of Cane Transporters, Harvesters and Weeders

Examination of the documents provided in support of Cane transporters, harvesters and weeders revealed that the Cane Transporters, harvesters and weeders were not subjected to procurement rules, rather they use a departmental Manual. In addition, the Harvest and Transport Manager and Supervisors carried out the procurement without involving officers from the procurement department. This was contrary to Section 68(1) of the Public Finance Management Act, 2012 which states that an accounting officer for a national Government entity, Parliamentary Service Commission and the Judiciary shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a way that is— (a) lawful and authorised; and (b) effective, efficient, economical and transparent.

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

10.0. Outstanding Tax Payables

Review of tax records revealed that the Company owed Kshs.266,557,903 in unpaid Value Added Tax (VAT) as at the close of the period. This balance continued to accumulate interests and penalties due to non-payment thus, worsening the financial

position of the Company. This was contrary to Section 19(2) of Value Added Tax Act, 2013 which provides that notwithstanding the provision of subsection (1), a registered person may defer payment of tax due to a date not later than the twentieth day of the month succeeding that in which the tax became due.

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

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

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

Conclusion

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

Basis for Conclusion

1.0. Long Outstanding Receivables from Out-growers

The statement of financial position, and as disclosed in Note 19 to the financial statements, reflects a balance of Kshs.202,165,000 in respect of receivables from out-growers. The balance is net of provision for impairment losses of Kshs.1,018,087,000. However, Management did not provide evidence of active debt recovery mechanisms, legal actions taken, security held against these receivables, or reasons for the exceptionally high default rate.

In the circumstances, controls over debt management could not be confirmed.

2.0. Lack of Sales and Marketing Policy

During the period under review, it was established that South Nyanza Sugar Company (SONY) operated without an approved sugar sales and marketing policy which is a critical document in the acquisition and retentions of customers, market promotion of products in compliance with company sales processes and improving sales performance. In addition, review of the sugar price ranges from 1 July, 2024 to 30 April, 2025 revealed an average percentage price changes of 26% that has not been explained or supported by the sugar pricing committee minutes as shown in the table below:

Month	Price Ranges within 10 Months			% of Variations
	Min Price Per Month	Maximum Price Per Month	Variations	
July	100,000	171,703	71,703	72%
August	96,000	120,833	24,833	26%
September	96,000	120,833	24,833	26%
October	98,000	128,889	30,889	32%
November	112,000	125,000	13,000	12%
December	106,000	125,000	19,000	18%
January	112,000	135,417	23,417	21%
February	116,000	135,417	19,417	17%
March	106,000	131,250	25,250	24%
April	112,000	131,250	19,250	17%
		Average Price Changes		26%

In the circumstances, the effectiveness of the internal controls over sugar pricing could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xxvi to xxvii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 44 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 and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 November, 2025

South Nyanza Sugar Company Limited
Financial Statements for the Year ended 30 April 2025

Statement of profit or loss and other comprehensive income for the year ended 30 April 2025

	Notes	30 April 2025	30 June 2024
		Kes'000	Kes'000
Gross sales		4,040,575	3,082,968
Indirect taxes:			
- Value Added Tax (VAT)		(557,321)	(425,237)
Revenue	6	3,483,254	2,657,731
Loss/gains arising from changes in fair value less costs to sell of biological assets	16	0	0
		3,483,254	2,657,731
Cost of sales	7	(2,661,011)	(2,435,503)
Gross loss/profit		822,243	222,228
Other income	8	26,524	14,185
Distribution costs	9	(58,507)	(16,819)
Administrative expenses	10	(2,178,867)	(797,207)
Operating loss		(1,388,607)	(577,613)
Finance costs	11	(93,977)	(122,223)
Loss before income tax		(1,482,584)	(699,836)
Income tax credit	13	-	(3,718)
Loss for the year		(1,482,584)	(703,554)
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Re-measurement of post-employment benefits obligation	29	-	97,788
Deferred income tax thereon	25	-	(29,336)
		-	68,452
Total comprehensive loss for the year		(1,482,584)	(635,102)

South Nyanza Sugar Company Limited
Financial Statements for the Year ended 30 April 2025

Statement of financial position as at 30 April 2025

	Notes	30 April 2025 Shs'000	30 June 2024 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	3,854,946	4,030,481
Intangible assets	15	1,273	2,795
		<u>3,856,219</u>	<u>4,033,276</u>
Current assets			
Biological assets	16	224,770	302,230
Inventories	17	386,880	416,510
Trade and other receivables	18	124,250	39,296
Receivables from out growers	19	202,165	142,384
Cash and bank balances	20	10,830	13,092
		<u>948,895</u>	<u>913,512</u>
TOTAL ASSETS		<u>4,805,114</u>	<u>4,946,788</u>
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	21	353,970	353,970
Revaluation reserve	22	3,413,405	3,413,405
Other reserve	23	140,203	140,203
Accumulated losses		(4,498,010)	(4,943,867)
Total equity		<u>(590,432)</u>	<u>(1,036,289)</u>
Liabilities			
Non-current liabilities			
Grants	24	0	1,597,497
Borrowings	27	691,328	645,752
Deferred income tax	25	57,002	57,002
Retirement benefits obligation	29	265,999	271,027
		<u>1,014,329</u>	<u>2,571,278</u>
Current liabilities			
Trade and other payables	26	4,377,499	3,407,995
Borrowings	27	0	86
Current income tax	13	3,718	3,718
		<u>4,381,217</u>	<u>3,411,799</u>
TOTAL EQUITY AND LIABILITIES		<u>4,805,114</u>	<u>4,946,788</u>

South Nyanza Sugar Company Limited
Financial Statements for the Year ended 30 April 2025

The financial statements on pages 1 to 54 were approved for issue by the Board of Directors on 9th May, 2025 and signed by:



Hon. Jared O. K'Opiyo

Chairman, Board of Directors



Martine Dima

Managing Director



George Onyango

Head of Finance (Ag)
ICPAK No. 11886

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

Statement of changes in equity for the year ended 30 April 2025

	Notes	Share capital Shs'000	Revaluation reserves Shs'000	Other reserve Shs'000	Accumulated losses Shs'000	Total equity Shs'000
Year ended 30 June 2024						
At the start of year		353,970	3,413,405	71,751	(8,661,597)	(4,822,471)
As restated		353,970	3,413,405	71,751	(4,240,313)	(401,187)
Loss for the year		-	-	-	(703,554)	(703,554)
Other comprehensive income		-	-	68,452	-	68,452
Total comprehensive loss		-	-	68,452	(703,554)	(635,102)
At end of year		353,970	3,413,405	140,203	(4,943,867)	(1,036,289)
Year ended 30 April 2025						
At the start of year		353,970	3,413,405	140,203	(4,943,867)	(1,036,289)
As Restated		353,970	3,413,405	140,203	(3,015,426)	892,152
Loss for the year		-	-	-	(1,482,584)	(1,482,584)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss		-	-	-	(1,482,584)	(1,482,584)
At end of year		353,970	3,413,405	140,203	(4,498,010)	(590,432)

Below is the movement in retained earnings after full amortization of grants following the leasing of South Nyanza Sugar Company Limited.

No.	Narrations	Amount (Kshs) '000'
1	Opening retained earnings	4,943,867
2	Accumulated grants fully amortized	(1,928,441)
3	Restated retained earnings as at 30.04.2025	3,015,426

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

Statement of cash flows for the year ended 30 April 2025

	Notes	30 April 2025 Shs'000	30 June 2024 Shs'000
Cash flows from operating activities			
Cash generated from operations	28	80,335	(545,603)
Interest received	8	25,793	12,395
Interest paid and other finance charges	11	(93,977)	(122,223)
Taxes Paid		-	(135)
Net cash generated from/ (used in) operating activities.		12,151	(655,566)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	5,558	39,669
Purchase of intangible assets	15	-	-
Proceeds from sale of fixed assets		-	-
Net cash used in investing activities		5,558	39,669
Cash flows from financing activities			
Grant received		0	698,916
Repayment of borrowings	27	(19,972)	(136,270)
Net cash (used in)/generated from financing activities		(19,972)	562,646
Net (decrease)/ increase in cash and cash equivalents		(2,262)	(53,251)
At start of year		13,092	66,343
At end of year	20	10,830	13,092

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

1. Statement of Comparison of Budget & Actual amounts for the period ended 30 April 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	%
	a	b	c = a + b	d	E = c - d	d/c%
Budget carryovers from the previous year*						
Receipts						
Sale of goods	6,561,025	(2,111,895)	4,449,130	4,040,575	(408,555)	91%
Sale of services	0	0	0	0	0	#DIV/0!
Grant received	0	0	0	331,769	(331,769)	#DIV/0!
Donations in kind	0		0		0	#DIV/0!
Finance income	0	0	0	0	0	#DIV/0!
Other income	123,750	0	123,750	26,524	97,226	21%
Total Receipts	6,684,775	-2,111,895	4,572,880	4,398,868	174,012	96%
Payments						#DIV/0!
Compensation of employees	711,554	1,051,474	1,763,028	1,082,864	680,164	61%

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	%
	a	b	c = a + b	d	E = c - d	d/c%
Use of goods and services	70,403	(20,490)	49,913	69,635	(19,722)	140%
Finance cost	58,328	-	58,328	94,070	(35,742)	161%
Rent paid	23,335	-	23,335	844	22,491	4%
Taxation paid (VAT inclusive)	332,302	330,222	662,523	557,321	105,203	84%
Other payments	4,958,710	(3,563,726)	1,394,983	2,577,746	(1,182,763)	185%
Grants and subsidies paid	0	0	-	0	0	0%
Total expenditure	6,154,632	(2,202,521)	3,952,111	4,382,480	(430,369)	111%
Capital Expenditure	466,517	53,700	520,217	5,558	514,659	1%
Surplus/deficit for the period	63,626	36,926	100,552	10,830	89,722	11%

NB: The 2024/25 budget covers a period of twelve months (fiscal year) while the actual covers a period of ten months due to the leasing uptake that took place on May 10, 2025.

Explanation of variances above 10%

1. Sale of goods variance was due to the increased level of production realized during the period.
2. Grant received refers to the amount the Government paid directly to farmers and employees as part payment of salary arrears
3. The Company did not implement annual salary increment that was budgeted for during the year

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

4. Use of goods increased during the period as due to the dilapidated plant hence frequent breakdowns.
5. Finance cost increased due to the cash flow constraints experienced by the Company hence was unable to service the loan facility in time.
6. Other payments increased due to the frequent breakdowns as a result of dilapidated plant.

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

General information

Note

South Nyanza Sugar Company Limited is incorporated in Kenya under the Companies Act as a public limited liability Company, and is domiciled in Kenya. The address of its registered office is:

PO Box 107 - 40405
Sare-Awendo

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

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. The financial statements are presented in Kenyan Shillings (Kes), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 April 2025

Amendments to IAS 12	The amendments to IAS 12 Income Taxes clarify the following aspects:
Recognition of Deferred Tax Assets for Unrealised Losses	• Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The application of these amendments has had no impact on the Company's financial statements as the Company already assesses the sufficiency of the future taxable profits in a way that is consistent with these amendments.

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

Notes (continued)

2 Accounting policies (continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2024 (Continued)

Annual Improvements: The annual improvements to IFRSs 2012-2014 cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

The amendments to IFRS 7 add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. It clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendments to IAS 19 clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendment to IAS 34 clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the company financial statements.

Amendments to IAS 7 Disclosure Initiative The amendments to IAS 7 Presentation of Financial Statements address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
 - clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements;
 - clarification that an entity's share of Other Comprehensive Income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and
 - additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.
- The amendments to the standard has had no impact on the financial statements.

Notes (continued)

2 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 applied for the year ended 30 April 2025

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022, 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 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.

Notes (continued)

2 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 applied for the year ended 30 April 2025

IFRS 9 Financial Instruments ("IFRS 9") (Continued)

- 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.

Based on an analysis of the Company's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, the Management 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 Management 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 2021.

Notes (continued)

2 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 applied for the year ended 30 April 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.

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 Management do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance.

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.

Notes (continued)

2 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 applied for the year ended 30 June 2024(Continued)

IFRS 16 Leases (Continued)

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

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.

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

(ii) New and revised IFRSs in issue but not yet applied for the year ended 30 April 2025 (Continued)

IFRS 17 Insurance Contracts (Continued)

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

Accounting policies (continued)

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.
- (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 applied for the year ended 30 April 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).

2 Accounting policies (continued)

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.

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.

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

(ii) New and revised IFRSs in issue but not applied for the year ended 30 April 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 April 2025.

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Financial Statements for the period ended 30 April 2025

(b) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Kenyan Shillings (Shs)', which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses'.

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT, returns, rebates and discounts and after eliminating sales within the Company.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognized as follows:

Sales of goods are recognized in the period in which the Company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been accepted by the customer.

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with the market practice. The Company does not operate any loyalty programmes.

Interest income is recognized using the effective interest method.

(d) Property, plant and equipment

Property, plant and equipment are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit and loss) and depreciation based on the asset's original cost is transferred from 'other reserves' to retained earnings.

Depreciation is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives, as follows:

Buildings	25 - 40 years
Plant and machinery	10 - 60 years
Equipment and motor vehicles	3 - 8 years
Bearer plants	6 years

Notes (continued)

2 Accounting policies (continued)

(d) Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2 (e)). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in other reserves relating to that asset are transferred to retained earnings.

(e) Biological assets

Biological assets comprise of agricultural produce on sugar cane.

The roots of the sugar cane are bearer plants and are therefore presented and accounted for as property, plant and equipment, see note 2(d). However, the produce growing on the cane is accounted for as biological assets until the point of harvest. Harvested cane is transferred to inventory at fair value less costs to sell when harvested. The company has applied the amendments made to the accounting standards in relation to the accounting for bearer plants from 1 July 2016, refer to Note 16 for further information.

Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised in the statement of comprehensive income in the year in which they arise.

The fair value of the bearer produce is based on the fair value less costs to sale.

Subsequently all costs of upkeep and maintenance of mature biological assets are recognised in the income statement within 'cost of sales' in the period in which they are incurred.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are valued at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct Labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Notes (continued)

2 Accounting policies (continued)

(h) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. As consistently applied, provision is made for receivables in excess of 120 days.

(i) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(j) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(k) Cash and cash equivalents

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(l) Employee benefits

(i) Retirement benefit obligations

The Company operates defined contribution retirement benefit scheme for its non-unionized employees while unionized employees qualify for gratuity upon retirement. The Company and all its employees also contribute to the appropriate National Social Security Fund, which are defined contribution schemes. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. 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.

For defined contribution plans, the Company pays contributions to publicly or privately administered plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

The liability recognized in the statement of financial position in respect of defined benefit gratuity obligation is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Notes (continued)

2 Accounting policies (Continued)

(l) Employee benefits (Continued)

(i) Retirement benefit obligations (Continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income.

The company does not currently have a separate assets to finance the gratuity obligation

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders. The Company recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation.

(m) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

Current and deferred income tax for the year ended 30.06.2024 has been calculated at arm's length and incorporated in the financial statements.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either

Notes (continued)

the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Accounting policies (Continued)

(n) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Provisions

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(p) Grants

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Where a grant is related to an asset, the grant is presented in the statement of financial position and is credited in the statement of comprehensive income over the periods and in the proportions in which depreciation expense on those assets they are used to finance is recognized.

(q) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Notes (continued)

3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Biological assets

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 15.

(ii) Recoverability of receivable from Outgrowers

Outgrower balances relate to the amounts due from farmers that arise from the Company's provision of agricultural inputs and services and the related accrued interest. Significant judgment has been applied by management in estimating the amounts that may not be recoverable based on investment expenditure in inputs and services to Outgrowers over the years taking into account the expected recovery cycle for the amounts.

Provision is determined based on the sugar development recovery cycle such that any balances beyond that cycle are fully provided. Sugar development recovery cycle is approximately 24 months.

The policy of the company is that impairment provision is determined for amounts in excess of the previous 24 months actual spent on sugar development, this has been applied consistently in preparation of the financial statements.

(iii) Income taxes

Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Critical judgments in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made judgments in determining:

- The classification of financial assets and leases
- Whether financial and non-financial assets are impaired.

4 Going Concern

The Company made a loss after tax during the year ended 30.04.2025 of Kshs 1,482,584,000 (30.06.2024: Shs 635,102,000) during the year which was added to accumulated losses totaling Shs 4,498,010,000 for the year 30.04.2025 (30.06.2024 Shs 4,943,867,000). In addition, the Company was in a net current liability position of Shs 3,432,322,000 (30.06.2024: Shs 2,498,287,000).

The Company was leased to Busia Sugar on 10.05.2025 with the Government undertaking to settle all the liabilities as per the offer letter. The accounts are therefore prepared as at 30.04.2025 to cover operations before the lease take over. The lease period is 30 years.

Based on the above, the management believe that the company will continue in operational existence as a going concern throughout the lease period and be handed over to the Government after the expiry of the lease agreement.

5 Financial risk management

The Company's activities expose it to a variety of financial risks, market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

At 30 April 2025, if the Kenyan Shilling had weakened/strengthened by 6% against the US dollar with all other variables held constant, post-tax profit for the year would have been Shs 15,264 (2024: Shs 14,400) higher/lower.

(ii) Price risk

The Company does not hold any financial instruments subject to price risk.

(iii) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. To manage interest rate risk the Company ensures that a portion of its borrowings are fixed rate borrowings. The Company regularly monitors financing options available to ensure optimum interest rates are obtained.

At 30 April 2024 and 30 June 2024, the Company did not have any borrowings at variable rates.

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

Notes (continued)

5 Financial risk management (continued)

(iv) Credit risk

Credit risk is managed on a Company basis. Credit risk arises from deposits with banks and trade and other receivables. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk is managed by the Head of Finance, except for credit risk relating to accounts receivable balances. Sales Committee is responsible for managing and analyzing credit risk for each new client before standard payment and delivery terms are offered. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. The Company has no significant concentrations of credit risk.

For banks and financial institutions, only reputable well established financial institutions, are accepted. For trade receivables, the Company's finance department assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on limits set by the Board. The utilization of credit limits is regularly monitored.

The amount that best represents the Company's maximum exposure to credit risk at 30 April 2025 is made up as follows:

	30 April 2025 Shs'000	30 June 2024 Shs'000
Cash at bank (Note 20)	10,830	13,092
Trade receivables (Note 18)	7,938	3,461
Receivable from out-growers (Note 19)	202,165	142,384
Other receivables	116,312	35,836
	337,245	194,773

No collateral is held in respect of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated, and management does not expect any losses from non-performance by these parties.

None of the above assets are either past due or impaired except for the following amounts in trade and outgrower receivables (which are due within 30 days of the end of the month in which they are invoiced).

The trade receivables which were past due but not impaired relate to a number of independent customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	30 April 2025 Shs'000	30 June 2024 Shs'000
Past due but not impaired:		
- by up to 30 days	2,147	821
- by 31 to 60 days	1,581	2,254
Total past due but not impaired	3,728	3,075

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

Notes (continued)

5 Financial risk management (continued)

(iv) Credit risk (Continued)

	30 April	Jun
	2025	2024
	Shs'000	Shs'000
Total receivables:		
Carrying amount before provision for impairment loss	1,587,978	1,432,148
Provision for impairment loss	(1,261,564)	(1,250,468)
Net carrying amount	326,414	181,680

The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations and doubtful outgrower balances. It was assessed that all trade receivables past due by more than 60 days are considered to be impaired, and are carried at their estimated recoverable value.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management and the Board maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

Surplus cash held by the Company, over and above the amounts required for working capital management are invested in interest bearing fixed deposit accounts.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows:

	Less than 1 year	Over 1 year	Total
	Shs'000		
At 30 April 2025:			
Liabilities			
- borrowings	691,328	-	691,328
- trade and other payables	4,381,217	-	4,381,217
Total financial liabilities (contractual maturity dates)	5,072,545	-	5,072,545
At 30 June 2024:			
Liabilities			
- borrowings	86	645,752	645,838
- trade and other payables	3,416,275	-	3,416,275
Total financial liabilities (contractual maturity dates)	3,416,361	645,752	4,062,113

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

Notes (continued)

5 Financial risk management (continued)

(vi) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	30.04.2025	30.06.2024
	Shs'000	Shs'000
Total borrowings	691,328	645,838
Less: cash and cash equivalents	(10,830)	(13,092)
Net debt	680,498	632,746
Total equity	(590,434)	(1,036,289)
Total capital	90,064	(403,543)
Gearing ratio	756%	-157%
6 Revenue	30.04.2025	30.06.2024
	Shs'000	Shs'000
Analysis of revenue by category:		
Sugar Sales	3,417,913	2,451,381
Molasses Sales	65,341	206,350
	3,483,254	2,657,731
7 Cost of Sales		
Cost of cane	1,734,016	1,211,672
Agriculture: Overheads	302,468	442,261
Agriculture: Depreciation	62,742	67,227
Manufacturing: Costs	493,831	695,131
Manufacturing: Depreciation	67,954	19,212
	2,661,011	2,435,503

During the year the Company acquired cane from outgrowers scheme at an average price of Kes. 5,072 against a budget of Kes. 4,310. This was as a result of market forces occasioned by low cane volumes in the region.

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Financial Statements for the period ended 30 April 2025

Notes (continued)		
8	Other income	
	Interest on receivables from Outgrowers	25,793
	Gain on disposal of fixed assets	-
	Miscellaneous income	731
		26,524
9	Distribution expenses	
	Marketing and advertising	-
	Product distribution	58,507
		58,507
10	Administrative expenses	
		30 April
		2025
		Shs'000
	Staff costs(Administrative departments)	722,366
	Provisions	817,324
	Rates, Levies and insurance	231,907
	Depreciation(Administrative)	55,409
	Travel and accommodation	23,457
	Repairs & Maintenance	43,617
	Mobile Equipment usage expenses	-
	Board & Directors costs	23,646
	Spares & Consumables	45,733
	Audit & Consultancies	9,169
	Staff Acquisition & Development costs	4,290
	Utilities	2,938
	Other administrative costs (Net of recoveries)	199,011
		2,178,867
		30 June
		2024
		Shs'000
		368,845
		9,932
		299,489
		55,525
		7,182
		16,995
		6,419
		19,036
		32,281
		3,774
		3,724
		4,015
		(30,010)
		797,207
	The company offers services such as land development, farm inputs harvesting transport to farmers. These costs are subsequently recovered from the farmers at the point of payment.	
11	Finance costs	
		2025
	Interest expense-Co op bank loans	93,228
	Bank charges	842
	Financing overheads	(93)
		93,977
		2024
		121,369
		729
		125
		122,223

NOTE:

The interest expense for the year 2025 relates to Cooperative bank loan only. The GOK and Commodities Fund Loans were written off as at 30.06.2023.

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

Notes (continued)

12 Employee benefits expense

Salaries and wages		
- Management	291,136	295,480
- Unionisable	<u>343,734</u>	<u>203,072</u>
- Contract Labour	<u>401,150</u>	<u>259,500</u>
	<u>1,036,020</u>	<u>758,052</u>
Retirement benefits costs:		
- Defined contribution scheme	31,119	39,006
- National Social Security Funds	15,725	10,851
	<u>1,082,864</u>	<u>807,909</u>

13 Income tax credit

Deferred income tax (Note 25)	-	59,786
Corporation tax on other income	-	3,718
		<u>63,504</u>
Income tax debit/credit	-	<u>63,504</u>

13 Income tax expense (continued)

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	30.4.2025	30.06.2024
	Shs'000	Shs'000
Loss before income tax	(1,482,584)	(699,836)
Tax calculated at the statutory income tax rate of 30%	(444,775)	(209,951)
Tax effect of:		
Items not deductible for tax purposes	1,927,359	969,573
Under provision of deferred income tax in prior year	-	-
Deferred income tax asset not recognised	-	-
	<u>-</u>	<u>59,786</u>
Income tax expense/income	-	<u>59,786</u>

Deferred income tax asset derecognition is made on the basis that it's not reasonably expected that the company would make profit in the foreseeable future to clear the accumulated losses.

Movement on deferred income tax on other income is as follows:

	30 April	30 June
	2024	2024
	Shs'000	Shs'000
Opening income tax on other come	(3,718)	(8,281)
Adjustment for write off	-	8,281
Income tax liability/asset (movement) for the year	-	(3,718)
	<u>(3,718)</u>	<u>(3,718)</u>
Income tax liability/asset	<u>(3,718)</u>	<u>(3,718)</u>

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Notes (continued)

14 Property, plant and equipment (continued)

	Leasehold Land Shs'000	Building Shs'000	Plant and machinery Shs'000	Trailers, tractors and motor vehicles Shs'000	Office and other equipment Shs'000	Roads and fencing Shs'000	Work in progress Shs'000	Bearer plants Shs'000	Total Shs'000
Year ended 30 June 2024									
Opening net book amount	1,000,502	891,746	4,393,322	1,406,712	306,134	137,402	341,691	243,822	8,721,331
Additions	-	-	16,010	12,800	8,849	-	3,905	-	41,564
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Accumulated depreciation	(97,532)	(363,334)	(2,368,304)	(1,217,572)	(302,138)	(52,610)	-	(139,432)	(4,540,922)
Depreciation charge	(9,606)	(26,413)	(67,955)	(62,987)	(2,744)	(4,240)	-	(16,360)	(190,305)
Closing net book amount	893,364	501,999	1,973,073	138,953	10,101	80,552	345,596	88,030	4,031,668
At 30 June 2024									
Cost or valuation	1,000,502	891,746	4,409,332	1,419,512	314,983	137,402	345,596	243,822	8,762,895
Accumulated depreciation	(107,138)	(389,747)	(2,436,259)	(1,280,559)	(304,882)	(56,850)	-	(155,792)	(4,731,227)
Net book amount	893,364	501,999	1,973,073	138,953	10,101	80,552	345,596	88,030	4,031,668

South Nyanza Sugar Company Limited
Financial Statements for the period ended 30 April 2025

Notes (continued)

14 Property, plant and equipment (continued)

	Leasehold Land Shs'000	Building Shs'000	Plant and machinery Shs'000	Trailers, tractors and motor vehicles Shs'000	Office and other equipment Shs'000	Roads and fencing Shs'000	Work in progress Shs'000	Bearer plants Shs'000	Total Shs'000
Year ended 30 April 2025									
Opening net book amount	893,364	501,999	1,973,073	138,953	10,101	80,552	345,596	88,030	4,031,668
Additions	-	-	2,277	-	3,340	-	3,433	-	9,050
Disposals	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
Depreciation charge	(9,606)	(26,413)	(67,955)	(58,502)	(2,696)	(4,240)	-	(16,360)	(185,772)
Depreciation adjust	-	-	-	-	-	-	-	-	-
Closing net book amount	883,758	475,586	1,907,395	80,451	10,745	76,312	349,029	71,670	3,854,946
At 30 April 2025									
Cost or valuation	1,000,502	891,746	4,411,609	1,419,512	318,322	137,402	349,029	243,822	8,771,944
Accumulated depreciation	(116,745)	(416,159)	(2,504,215)	(1,339,061)	(307,577)	(61,089)	-	(172,152)	(4,916,998)
Net book amount	883,757	475,587	1,907,394	80,451	10,745	76,313	349,029	71,670	3,854,946

Work in progress largely relates cost of upgrading the plant and machinery which is an ongoing process.

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Financial Statements for the period ended 30 April 2025

Notes (continued)

14 Property, plant and equipment (continued)

The Company's property, plant and equipment were revalued on 20 June 2018, by Milligan Valuers Limited. Valuations were made on the basis of estimated open market value. The revaluation surplus net of applicable deferred taxes was credited to other comprehensive income and is shown in other reserves in shareholder's equity.

If the property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	2025	2024
	30 April	30 June
	Shs'000	Shs'000
Cost	8,771,944	8,762,895
Accumulated depreciation	(4,916,998)	(4,731,227)
Net book amount	<u>3,854,946</u>	<u>4,031,668</u>

Bank borrowings are secured on immovable property (Land/Buildings/Part of buildings)

15 Intangible assets

	Software	WIP	Totals
	Shs'000	Shs'000	Shs'000
Year ended 30 June 2024			
Opening net book value	257,317	2,795	260,112
Additions	2,009	-	2,009
Accumulated amortization	(257,317)	-	(257,317)
Amortization for the year	(401)	(2,795)	(3,196)
Closing net book amount	<u>1,608</u>	<u>-</u>	<u>1,608</u>
At 30 June 2024			
Cost	259,327	2,795	262,122
Accumulated amortisation	(257,719)	(2,795)	(260,514)
Net book amount	<u>1,608</u>	<u>-</u>	<u>1,608</u>

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15 Intangible assets (Continued)

	Software Shs'000	WIP Shs'000	Totals Shs'000
Year ended 30 April 2025			
Cost	1,608	-	1,608
Additions	-	-	-
Accumulated amortization	-	-	-
Amortization for the year	(335)	-	(335)
Closing net book amount	1,273	-	1,273
At 30 April 2025			
Cost	259,327	-	259,327
Accumulated amortisation	(258,054)	-	(258,054)
Net book amount	1,273	-	1,273

16 Biological assets

Year ended 30 June 2024	Cane	Dairy	Total
At start of year	287,198	1,339	288,537
Additions due to development of cane	155,691	-	155,691
Transfer to bearer plant	-	-	-
Decrease due to harvest	(142,083)	-	(142,083)
Losses arising from changes in fair value less costs to sell of biological assets	-	85	85
At end of year	300,806	1,424	302,230

Year ended 30 April 2025	Cane	Dairy	Total
At start of year	300,806	1,424	302,230
Additions due to development of cane	100,318	-	100,318
Transfer to bearer plant	-	-	-
Decrease due to harvest	(176,823)	-	(176,823)
Losses arising from changes in fair value less costs to sell of biological assets	-	(955)	(955)
At end of year	224,301	469	224,770

South Nyanza Sugar Company Limited
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Notes (continued)

16 Biological assets (continued)

Valuation of Biological Assets-Cost model

This represents the actual cost incurred on growing cane in the Nucleus Estate less the cost written off to profit or loss account for the cane harvested. Standing cane has not been insured against fire since insurance companies have declined to provide cover against this type of risk. No provision has been made in the accounts for any possible loss occasioned by cane fire.

17 Inventories	30 April 2025 Shs'000	30 June 2024 Shs'000
Operating Supplies	66,460	56,744
Spare Parts	245,773	232,771
Packaging Materials	44,598	27,310
Molasses	60	1,462
Raw Material- Cane on Yard	4,573	9,995
Finished Product	312	59,289
Semi-Finished Product	12,336	26,209
Goods in Transit	12,768	2,730
	386,880	416,510

18 Trade and other receivables

Trade receivables	81,878	77,401
Less: provision for impairment losses	(73,940)	(73,940)
Net trade receivables	7,938	3,461
Other receivables and prepayments	285,848	205,371
Less: provision for impairment losses	(169,536)	(169,536)
Net other receivables and prepayments	116,312	35,835
	124,250	39,296

18a Trade and Other Receivables

	April 2025 Shs'000	June 2024 Shs'000
At June 30, the ageing analysis of gross trade Receivables was as follows:		
Less than 30 Days	2,147	821
Between 30 and 60 Days	1,581	2,254
Between 61 and 90 Days	1,310	81
Between 91 and 120 Days	813	305
Over 120 Days	76,028	73,402
	81,879	77,401

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Notes (continued)

Included in trade and other receivables is Kshs 18.2 million relating to staff costs in respect of three staff who were seconded to Agriculture food Authority, Muhoroni/Miwani sugar and Chemelil Sugar.

18 Trade and other receivables (Continued)

Movements on the provision for impairment of trade and other receivables are as follows:

	2025 Shs'000	2024 Shs'000
At start of year	317,013	243,073
Charge to profit or loss	-	73,940
At end of year	317,013	317,013

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable above. The Company does not hold any collateral security against the receivables. The fair value of trade and other receivables approximates their carrying value.

19 Receivables from outgrowers

	April 2025 Shs'000	June 2024 Shs'000
Billable inputs and services	943,783	896,585
Unbilled services	67,778	67,778
Accrued interest on land development	208,691	185,013
Gross receivables from Outgrowers	1,220,252	1,149,376
Less: provision for impairment losses	(1,018,087)	(1,006,992)
	202,165	142,384

Movements on the provision for impairment of Outgrowers receivables are as follows:

	April 2024 Shs'000	June 2023 Shs'000
At start of year	1,006,992	1,006,240
Charge to profit or loss/(write back)	11,095	752
At end of year	1,018,087	1,006,992

The Company recovers the investment in Outgrowers against payments to Outgrowers upon harvesting of the sugarcane.

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Financial Statements for the period ended 30 April 2025

Notes (continued)

20. Bank and Cash Balances

Description	April 2025	June 2024
	Kshs. '000	Kshs. '000
Cash at bank	10,448	13,092
Cash in hand	382	0
Total	10,830	13,092

The Cash at Hand was Kshs 381,774 as at 30th April, 2025. The two Co-op Bank Accounts domiciled in Rongo, A/cs. 01136204628702 and 01136204628703 are specifically dedicated for taxes and Farmers cane payments respectively. Funds are transferred into them as per the Company's weekly expenditure plans. This explains the low balances in the accounts.

The NBK A/c 01001045348702 was opened specifically to receive borrowed funds from Commodities Fund in the year 2017 and pay for the procurement of Factory Maintenance Equipment. The account was under the watch of the Company and Commodities Fund as per the loan covenant, which expired when the loan was paid off. The account has since been maintained to receive and make payments. The Company main bank is Cooperative Bank of Kenya.

Detailed analysis of the cash and cash equivalents

Description		April 2025	June 2024
Financial institution	Account number	Kshs.'000	Kshs.'000
a) Current Accounts			
Co-operative Bank - Migori	01136204628700	1,485	3,548
Co-operative Bank - Migori	01136204628701	(546)	368
Co-operative Bank - Rongo	01136204628702	118	16
Co-operative Bank - Rongo	01136204628703	737	19
KCB - Migori	01106321308	1,690	2,523
NBK - Awendo	01001045348700	2,539	5,344
ABSA Bank - Kisii	801222509	4,283	1,223
NBK - Awendo Project	01001045348702	142	51
Sub- Total		10,448	13,092
b) On - Call Deposits			
Other Commercial banks		0	0
Sub- Total		0	0
c) Fixed Deposits Account			
Other Commercial banks		0	0
Sub- Total		0	0

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Description		April 2025	June 2024
Financial institution	Account number	Kshs.'000	Kshs.'000
d) Others (Specify)		0	0
Cash in transit		0	0
Cash in hand		382	0
Mobile money account		0	0
Sub- Total		0	0
Grand Total		10,830	13,092

21 Share capital	Number of shares	Ordinary shares Shs'000
Balance at 1 July 2024 and 30 April 2025	17,698,500	353,970

The total authorized number of ordinary shares is 18,000,000 with a par value of Shs 20 per share.
The issued and fully paid shares are 17,698,484 with a par value of Shs 20 per share.

Shareholding composition:	2024 Shs'000	2023 Shs'000
Government of Kenya	349,720	349,720
Industrial and Commercial Development Corporation	2,500	2,500
Industrial Development Bank	1,000	1,000
Mehta Group International	750	750
	353,970	353,970

22 Revaluation reserve

The revaluation reserve represents solely the surplus on the revaluation of property equipment net of deferred income tax and is non-distributable.

Year ended 30 June 2024	Shs'000
At start of year	3,413,405
Assets revaluation	-
At end of year	3,413,405
Year ended 30 April 2025	
At start of year	3,413,405
Asset revaluation	-
At end of year	3,413,405

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Notes (continued)

23 Other reserves

	April 2024 Shs'000	June 2024 Shs'000
At start of the year	140,203	71,751
Comprehensive income	-	68,452
At end of the year	140,203	140,203

As disclosed above, other reserves relate to actuarial gains/losses arising out of the remeasurement of the retirement benefit obligation.

24 Grants

The balances represent grants from the Government of Kenya for payment of farmers' and staff arrears. Amount outstanding as at 30.04.2025 is fully amortised since the Company is set for leasing. The movement in the year is as follows:

	2025 Shs'000	2024 Shs'000
At start of year	1,597,497	898,581
Additions	-	698,916
Amortisation charge	(1,597,497)	-
At end of year	-	1,597,497

Notes (continued)

25 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30%. The gross movement on the deferred income tax account is as follows:

	April 2025 Shs'000	June 2024 Shs'000
At start of year		
Credit to income statement (Note 13)	57,002	59,786
Debit to other comprehensive income	-	(30,450)
(Over)/under provision of deferred income tax in prior year	-	-
Deferred income tax not recognized	-	-
At end of year	57,002	57,002

The deferred income tax assets and liabilities, deferred income tax charge/(credit) in the income statements are attributable to the following items:

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Year ended 30 April 2025	1 July 2024 Shs'000	Charged/ (credited) to P/L Shs'000	(Credited to equity) Shs'000	30 April 2025 Shs'000
Deferred income tax liabilities				
Property, plant and equipment:				
- on historical cost basis	(10,812,654)	-	-	(10,812,654)
- on revaluation surplus	614,471	-	-	614,471
Biological assets	(4,005,385)	-	-	(4,005,385)
	14,203,568	-	-	14,203,568
Deferred income tax assets				
Other temporary differences	36,818,858	-	-	36,818,858
Post-employment benefit obligation	37,657,050	-	-	37,657,050
Tax losses	(161,381,287)	-	-	(161,381,287)
	(81,083,945)	-	-	(81,083,945)
Net deferred income tax	(101,108,947)	-	-	(101,108,947)
Deferred income tax not recognised	160,884,609	-	-	160,884,609
Final deferred income tax	57,002	-	-	57,002

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Notes (continued)

Year ended 30 June 2024

	1 July 2023 Shs'000	Charged to P/L Shs'000	Charged to equity Shs'000	30 June 2024 Shs'000
Deferred income tax liabilities				
Property, plant and equipment:				
- on historical cost basis	527,605	(11,340,259)	-	(10,812,654)
- on revaluation surplus	614,471	-	-	614,471
Biological assets	102,482	(4,107,867)	-	(4,005,385)
	1,244,558	(15,448,126)	-	14,203,568
Deferred income tax assets				
Other temporary differences	(619,659)	37,438,517	-	36,818,858
Post-employment benefit obligation	(138,084)	37,795,134	-	37,657,050
Tax losses	(2,152,974)	(159,228,313)	-	(161,381,287)
	(2,910,717)	(83,994,662)	-	(81,083,945)
Net deferred income tax asset	(1,666,160)	(99,442,787)	-	(101,108,947)
Deferred income tax asset not recognised	1,656,296	159,228,313	-	160,884,609
Final deferred income tax	27,666	-	29,336	57,002

26 Trade and other payables

	2025 Shs'000	2024 Shs'000
Trade payables	569,476	622,417
Customer payments in advance (Net)	267,805	65,500
Other payables and accrued expenses	3,536,437	2,720,078
	4,375,718	3,407,995

The carrying amounts of the above payables and accrued expenses approximate to their fair value

26b Trade and other Payables

	2025 Kshs'000	2024 Kshs'000
At April 30, the ageing analysis of gross trade payables was as follows:		
Less than 30 Days	23	127,072
Between 30 and 60 Days	15,660	28,245
Between 61 and 90 Days	32,042	13,143
Between 91 and 120 Days	54,791	1,554
Over 120 Days	453,434	452,403
	555,950	622,417

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Notes (continued)

27 Borrowings	2025 Shs'000	2024 Shs'000
Commodities fund (SDF) loan	-	86
Government of Kenya (GOK/ODA)	-	-
Co op bank	691,328	645,752
KCB	-	-
	<u>691,328</u>	<u>645,838</u>
i) Maturity analysis		
Non-current		
Co op bank	-	645,752
Current		
Co op bank	691,328	
	<u>691,328</u>	<u>645,752</u>
Total GOK/CF loans	691,328	645,838
Bank overdraft	-	-
	<u>691,328</u>	<u>645,838</u>
Total borrowings	<u>691,328</u>	<u>645,838</u>

- The Co-op bank loan to the tune of Kshs 691,328M as at 30.04.2025 had fallen current and remains payable by the Government as part of the leasing arrangement.

The carrying amount of the borrowings approximates to the fair value, as the impact of discounting is not significant.

Loans movement	G.o.K Shs '000	CF Shs'000	Co op Kshs	Total Shs '000
At start of year	-	86	645,752	645,838
Additions	-	-	-	-
Accrued interest	-	-	37,930	37,930
Movement/payment	-	(86)	7,146	7,060
Net movement	-	-	45,576	44,990
At end of year	-	-	691,328	691,328

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Notes (continued)

28 Cash generated from operations	30.04.2025	30.06.2024
	Shs'000	Shs'000
Reconciliation of profit before income tax to cash generated from operations		
Loss before income tax	(1,482,584)	(699,836)
Adjustments for:		
Interest income (Note 8)	(25,793)	(12,395)
Interest expense (Note 11)	93,977	122,223
Loss/(gain) on disposals of property plant & equipment	-	-
Changes in biological assets (Note 16)	469	1,424
Decrease due to harvest	-	-
Depreciation of property, plant and plant (Note 14)	185,772	146,490
Amortisation of intangible assets (note 15)	335	125
Items expensed from WIP (note 15)	-	-
Grant amortization (Note 24)	-	-
Post-employment benefit obligation	-	97,788
Changes in working capital:		
- Inventories	29,630	(15,790)
- Trade and other receivables	(84,954)	(20,313)
- Outgrowers' balances	393,979	(98,557)
- Trade and other payables	969,504	(66,762)
Cash generated from operations	80,335	(66,762)

29 Retirement benefit obligations

The company operates a gratuity scheme based on employee remuneration and length of service. The plan is internally funded.

The amounts recognized in the statement of financial position are as follows:

	2025	2024
	Shs'000	Shs'000
Present value of unfunded obligations	265,999	271,027

The movement in the defined benefit obligation over the year was as follows:

	2025	2024
	Shs'000	Shs'000
At start of year	271,027	331,105
Net periodic cost	-	61,172
Movement in the year	(5,028)	(23,462)
Remeasurement	-	(97,788)
Liability in the statement of financial position	265,999	271,027

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Notes (continued)

29 Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	2025	2024
-discount rate	18.50%	18.50%
-inflation	5.00%	5.00%
-salary increases	9.50%	9.50%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

Salary increase sensitivity

	At current salary increase rate Shs'000	1% Increase Shs'000	1% Decrease Shs'000
At 30 June 2024			
Present value of obligation	271,027	259,215	283,811
Percentage changes	-	1.00%	(1.00%)
At 30 April 2025			
Present value of obligation	265,999	259,215	283,811
Percentage changes	-	1.00%	(1.00%)

Assumptions regarding future mortality experience are set based on published statistics and experience in the industry.

Since the bulk of the benefits payable under the scheme are salary related and there are no pensions paid from the scheme, the sensitivity of the liability to a change in the salary escalation assumption is expected to be consistent with the sensitivity to the discount rates

30 Related party transactions

a.) Government of Kenya

The Company is controlled by the Government of Kenya with 99% ownership. IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

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Notes (continued)

Transactions with related parties:

i) Key management compensation

Key management includes executive Directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	30.4.2025	30.6.24
	Shs'000	Shs'000
Salaries and other short-term employment benefits	<u>33,230</u>	<u>33,130</u>

ii) Directors' remuneration

Remuneration as management	198	221
Fees and allowances for services as director	23,646	18,815
	<u>23,844</u>	<u>19,036</u>

iii) Government of Kenya

During the year, the Government released Kshs 331.8M. towards farmers (181.8) and staff (150M) payments and paid directly to various farmers and staff accounts. These funds were released through Agriculture Food Authority. Total amount released by the Government upto 30.04.2025 have been amortized through retained earnings due to intended leasing.

	2025	2024
	Shs'000	Shs'000
Total bailout by the Government during the year (Grant)	<u>331,769</u>	<u>388,857</u>

31(a) Contingent liabilities

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business approximated to 1.5 billion. The Company also has an open tax items for the last three years in respect to importation of sugar under tax exemption regime where KRA is demanding Kshs 2,905,607,000 in taxes. This matter is still under discussion with the revenue authority. Also note that tax liability as at 30.06.2023 were written off by the Government.

A number of litigation cases regarding burnt over-mature cane which the Company was unable to harvest have been lodged at law courts.

A summary of the pending cases and claims against the Company is as follows:-

	2025	2024
	Shs'000	Shs'000
Farmers' cases (Contingent liability)	1,500,000	628,169
Staff cases	-	7,178
Tax matters	2,905,607	2,905,607
Staff Leave	<u>-</u>	<u>40,151</u>
	<u>4,405,607</u>	<u>3,581,105</u>

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Notes (continued)

There is significant reduction on liability arising from farmers due to massive withdrawal of cases by the plaintiffs and plaintiff at their own volition following measures taken by the management to weed out fraudulent suits. Management has made accumulative provision in the financial statements amounting to Kshs. 817.3 million. The management do not believe that any significant additional liability will arise from the resolution of these matters.

31 (b) Leasing of State owned sugar mill and post balance sheet events

As the time of preparation of this financial statements, a decision had been arrived at to lease South Nyanza Sugar Company limited for a period of 30 years to Busia Sugar Company Limited. Consequently, the terms of employment of all staff will collapse by 31.10.2025 upon which affected staff will be entitled to post-employment benefits approximated as follows and payable by the Government.

	2025 Shs'000	2024 Shs'000
Permanent staff final dues	1,300,698	628,169
Contract staff final dues	925,355	2,905,607
Staff Leave	-	40,151
	2,226,053	3,581,105

The above provisional staff final dues cover, gratuity, outstanding leave days and severance pay. These figures have not been factored in the profit and loss.

32 Capital Commitments

Capital expenditure contracted for at the reporting date but not recognized in the financial statements is as follows:

	2025 Shs'000	2024 Shs'000
Authorized but not contracted	-	562,200
Authorized and contracted (Partially processed POs and GRNs)	75,086	116,100
	75,086	578,300

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Key projects and investment decisions the entity is planning/implementing

Since the leasing process is on, projects and investments decisions are suspended.

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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved

Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
1	Cash and Cash equivalent The supporting bank reconciliation statements as at 30.06.2024 included payments in the cash book not in bank statement (unpresenred cheques) amounting to Kshs 3,164,510. However, certified bank statements showing when the unpresented cheques were cleared were not provided.	Detailed schedule and bank statements indicating when the cheques cleared attached.	Resolved and closed
2.	Accuracy of inventory balance The accuracy and completeness of the inventories amount of Kshs 416,510,000 could not be confirmed.	Detailed stock sheet used during the stock take exercise attached is hereby availed to confirm the accuracy of inventory position. Note 17 was amended accordingly in line with the support schedules. The reported balances was not affected in any way. Stock take report for the year 30.06.2024 availed as a support.	Resolved and closed.
3.	Undisclosed Liability Relating to unpaid Leasehold Rent. Total outstanding rent amount of Kshs 101,061,000 has not been disclosed as aliability in the company's statement of financial position as at 30.06.2024, while the annual rent of Kshs 3,743,000 payable on 1 January 2024 has not been treated as an expenditure for the year under review.	The outstanding rent amount has been accrued accordingly as reflected in the accruals schedule. Journal voucher attached for your reference. Correct liability was computed and captured accordingly.	Resolved and closed
4.	Receivables from Outgrowers Disclosed in the statement of financial position under current assets is Kshs. 142,384,000 relating to receivables from out growers which was arrived at after netting of provision for impairment losses of	This represents inputs and services rendered to our contracted farmers for cane not harvested at the balance sheet date 2023/2024. In the year under review, and in line with the Company credit policy, Management identified and recovered debts owing by farmers that	On going Recoverabilit y of the debit balances is a continuous process. The

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Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
	kshs. 1,006,992,000 from gross receivables from outgrowers of Kshs. 1,149,376,000. The recoverability of the Kshs 142,384,000 owed by out growers remains doubtful.	were earlier classified as bad and doubtful by offsetting with cane proceeds payable against alternative plots under contract by the same grower.	debt is recovered as and when cane is delivered to the factory.
5.	Unconfirmed sugar sales The statement of profit and loss and other comprehensive income reflects gross sales of Kshs 3,082,968,000, while the dispatch report provided for audit indicated total of Kshs 2,877,792,000, resulting in an unreconciled variance of Kshs 205,176,000	Detailed reconciliation is hereby availed to support the sales figure as reported in the financial statement	Resolved
6.	Regularity of outstanding legal expenses. The statement of financial position reflects trade and other payables balance of Kshs.3,407,995,000, which as disclosed in Note 26 to the financial statements, includes other payables and accrued expenses balance of Kshs.2,720,078,000. Included in this latter balance is Kshs.51,606,201 in respect to outstanding legal fees owed to seven (7) law firms. However, management did not provide detailed fee notes for each firm to confirm whether the fee charged are in compliance with prescribed rates. In addition, procurement records related to their sourcing and contract agreements between the specific firms and the Company, detailing the scope of work to be discharged and the respective responsibilities of each party were not provided for audit. Further, review of documents revealed existence of four hundred and thirty-three (433) cases where the Company had been sued. This could be an indicator of weak alternative dispute resolution mechanisms or the Company had not been adhering to the rule of law. In addition, the audited financial statements for the year ended 30 June, 2023 indicated that the Company had four thousand and eight (4,008) ongoing court cases. However, movement schedule in support of the cases and those that have been concluded to leave a	Most of the cases that the Company is currently battling with relate to alleged breach of farmers' contracts with specific claims being remedies on:- • None harvesting of contracted cane due to various factors such as limited crushing capacity of the factory and damaged infrastructure amongst others. • Late harvesting of cane leading to decline in yields (due to factors such as limited crushing capacity of the plant, broken down infrastructure amongst others). • Harvesting but failing to transport due to factors such as abrupt changes in weather, ethnic clashes etc. • Facilitation factors – Calls to farmers to file cases against the Company by Union official and Advocates. Court Process. Ordinarily the company defends all the cases filed against it. The company has executed contracts with external lawyers who are charged with the task of defending the company in the event of litigation. Ordinarily the court process is associated with delay in conclusion of cases filed. It is due to this that the Judiciary has embarked in the process of	In progress

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Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
	balance of 433 cases had not been provided for audit. Further, all the 433 court cases and matters were being handled by external law firms, despite the fact that the company has its own Legal Department. Also, it was not possible to establish whether the Company has lost cases as a result of proven fraud, corrupt practices or negligence and what actions Management has taken on the responsible officers so as to avert the recurrence. In the circumstances, the regularity of the Kshs.51,606,201 incurred on legal fees during the year under review could not be confirmed.	expanding court infrastructure and the appointment of more judicial officers to clear the current case backlog.	
7.	Material uncertainty related to Going Concern. Note 4 to the financial statement indicates that the company incurred a net loss after tax amounting to Kshs 635,102,000 during the year. These conditions indicate existence of material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern.	The following interventions outlined by the Company is working to mitigate the risks observed by your team: 1. The Company is currently operating under austerity budget based on the level of activities. This will help in management of payroll cost to contain the wage bill. It's also important to emphasize that procurement of Capital items is currently based on priority basis so as to cut on unnecessary costs. 2. To further enhance revenue, the Company will increase capacity for branded sugar given that branded sugar is more profitable. 3. Product diversification of molasses packaging is in plan with a view to help the Company have an additional revenue stream post the next maintenance. 4. The Company has come up with workable payment plans to address the outstanding obligations including the long term loan from Co-op Bank. As demonstrated in the results achieved in the last four years, we are determined to keep in focus the going concern issues and strategically tackle the challenges that impact negatively on the business.	In progress

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Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
8.	Budgetary control and performance the statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis of Kshs.3,689,371,000 and Kshs.2,623,173,000 respectively, resulting to an underfunding of Kshs.1,066,198,000. Similarly, the Company incurred total expenditure of Kshs.3,195,856,000 against an approved budget of Kshs.3,584,704,000 resulting to under expenditure of Kshs.388,848,000. The under-funding and under-expenditure affected the planned activities and may have impacted negatively on the companies operations.	The Company generates its own revenue and does depend on exchequer for funding. The expenditure therefore depends on the level of activities	Resolved and closed
9.	Unresolved Prior years matters In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls Risk Management and Governance. Poor rendement below industry standards The statement of profit or loss and other comprehensive income reflects gross sales amount of Kshs.3,082,968,000. However, records provided for audit indicated that the Company milled 285,734 tons of canes during the year under review and produced 20,856 tons of sugar bagged, which resulted in a rendement of 7%. The produced sugar which is below the recommended rendement of 10% as per Regulation 21(a) of the Crop Sugar Regulations, 2020 which provides that the miller shall strive to achieve the following standards; in the case of sugar cane, ton cane/ton sugar ratio of 9 or rendement of 10%. In the circumstances, the efficiency of the factory was still below the standards set by the industry.	The rate of recovery in a sugar factory is influenced by various factors, including, i) Sugar (sucrose) content in the sugarcane being milled, ii) Duration between harvesting and milling of the sugarcane (staleness resulting in sugar loss), iii) Factory downtime (interruption in process flow, leading to increased material deterioration or sugar loss) iv) Efficiency of extraction process (Mill Extraction), v) Process house recovery (Boiling House Recovery), etc. Whereas factors iii) to v) are partly greatly influenced by the level of maintenance of the factory, factors i) and ii) are also greatly influenced by sugarcane supply status in the field. This has been an industry-wide problem during the period under review (see Extract of Kenya Sugar Board report for March-April) Due to the low average age of cane at harvesting, the sucrose content was generally below the target of 12.80%, and this coupled with further deterioration in the Cane Yard, due to	On going

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Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
		low factory uptime resulted in less sugar to recover from the sugarcane milled.	
10.	Regularity of imprest management Review of imprest register for the year under review revealed that nine (9) officers had been issued with multiple imprests, contrary to Regulation 92(4) (b) of the Public Finance Management Act, 2012 which states that before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant has no outstanding imprests.	Imprests have since been cleared accordingly. Regulations now being followed accordingly.	Resolved and closed
11.	Biological assets The statement of financial position, and as disclosed in Note 16 to the financial statements, reflects biological assets balance of Kshs.302,230,000. Review of biological assets register maintained by the Company and valuation report of biological asset report as at 30 June, 2024 provided for audit revealed biological asset valued at Kshs.1,424,000 which comprised eight (8) calves, eight (8) bulls and eighteen (18) cows. However physical verification of the biological assets conducted on 24 September, 2024 revealed that out of the eighteen (18) cows, twelve (12) had been recommended for disposal since the cows had deteriorated in value due to old age and sickness. In addition, most of the cows were in poor state of health as evidenced by skin disease, loss of weight and old age.	This was a valuation done as at 30.06.2024. Effort to sustain the biological assets is a continuous process and includes seeking veterinary action to save the animals from eminent death. So far, no issue has been reported on the state of these assets.	Resolved and closed
12	Staff Under- Establishment Review of human resource records revealed that the company had an approved staff establishment of one thousand five hundred and eighty (1,580) staff against five hundred and seventy-two (572) 36% staff in post, thus resulting in an under-establishment of one thousand and two (1002) or 64%staff members as at June 2024. This was contrary to Regulation 12 of Staff Establishment that provides in part that, "in order to attract	The Company experienced high staff turn-over in the recent past. However the Government through circular Ref: OP/CAB.39/4A dated July 28, 2017 and ref. MOAALF&C/CS/ADM/30 dated July 7, 2020 froze recruitment/ confirmation of staff thus resulting into staff acting on the vacant positions beyond the stipulated time pending competitive filling of the vacant positions.	unresolved

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Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
	and retain competent employees required for efficient and effective delivery of service delivery, appointments shall be made with the approval of the Board and shall be within approved staff establishment".		
13	Payment of Acting Allowance and Special Duty Allowance to Employees Review of the staff records revealed that three hundred and ninety-seven (397) staff members were appointed to positions in acting capacity, representing 67% of five hundred and seventy two (572) total staff in post. Further, 307 of the staff were paid acting and special duty allowances being 60% on acting and 7% on special duty, which is disproportionate to the total work force. Review of the staff records revealed that staff members were appointed in acting capacities or appointed to perform special duty for periods of six (6) months. Upon expiry of acting appointments, the staff continued to serve in acting positions through recommendations by departmental heads. Some staff members were being appointed to act in a position higher by thirteen (13) grades and officers from semi/unskilled category (UG 04) being appointed to act in management positions (SE 03).	The Company experienced high staff turn-over in the recent past. However the Government through circular Ref: OP/CAB.39/4A dated July 28, 2017 and ref. MOAALF&C/CS/ADM/30 dated July 7, 2020 froze recruitment/ confirmation of staff thus resulting into staff acting on the vacant positions beyond the stipulated time pending competitive filling of the vacant positions.	unresolved
14.	Non Compliance with Gender Requirement Review of the personnel records revealed that the Company had a total of five hundred and seventy-two (572) staff members out of whom, four hundred and sixty-six (466) or 81% were male, while one hundred and six (106) or 19% were female, which was not in compliance with Article 27(8) of the Constitution of Kenya, 2010 which advocates for one third gender rule. In this circumstances, management was in breach of law.	Management has come up with strategies to ensure compliance	Outstanding

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Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
15.	Non Compliance with the Requirements to Employ 5% with Disability Personnel records revealed a total of five hundred and seventy two (572) staff members out of whom only twenty three (23) i.e. 4% were persons living with disability contrary to article 5(2) of The constitution of Kenya and Section 13 of the Persons with Disabilities Act, 2003 which require all institutions to have 5% of their employs as persons with disabilities.	Management has come up with strategies to ensure compliance	Outstanding
16.	Non Compliance with the Law on Ethnic Diversity in Staffing Personnel records as at 30 June 2024 reflected five hundred and seventy five (575) employees in payroll. 86% of these were from one ethnic community, and 14% shared among other ethnic communities contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 and Article 27(8) of the Constitution of Kenya, 2010	Prior to the promulgation of the Constitution 2010, the Company had most of its employees from one ethnic community, however the Company has made efforts to comply as exhibited in new recruitments. Since the promulgation of the Constitution the Company has recruited 141 new staff out of which 44 staff are from a different ethnic communities. This represents 27% improvement from the overall 14% to 31%. The geographical location has posed a challenge in attracting some communities e.g. people from central and coast regions. The labor intensive type of operations is not attractive to some communities.	Outstanding
17.	Lack of Updated House Rates to the Prevailing Market Rates Records portrayed that the Company's house rent were last reviewed in December, 2001 and therefore not aligned to the current market rates but the house allowances have been reviewed several times to match the cost of living and the market rates for the rent. Further review revealed that police officers who occupy the houses did not pay rents as and when they fell due, and had the outstanding balance of	The observation is noted. Plans are underway to review the rates.	Outstanding

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Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
	Kshs.1,354,000, some dating back to 2020. Accordingly, the management of the Company's rental houses was not effective.		
18	Failure to Maintain Asset Sinking Fund – Property Plant and Equipment The statement of financial position reflects Kshs.4,030,481,000 in respect to PPE after netting off accumulated depreciation of Kshs.4,731,227,000 from the total cost of Kshs.8,762,895,000. The management did not maintain an asset renewal sinking fund as per Section 16(1) of the State Corporation Act (Cap 446), hence the Company may eventually lack funds for renewing its assets once they are fully depreciated.	All assets are normally depreciated accordingly as per the depreciation policy in place. Still outstanding due cash flow challenges	outstanding
19	Unremitted Statutory Deductions The statement of financial position and as disclosed in Note 26 to the financial statements reflects Kshs.3,407,995,000 in respect to trade and other payables. Creditor's ledgers revealed statutory deductions amounting to Kshs.483,471,380 that were due but not remitted to the statutory agencies. However, Management did not provide a breakdown of penalties accrued due to non-remittance of the statutory deductions. This was contrary to Regulation 42(1)(b) of the Public Finance Management (National Government) Regulations, 2015, which requires debt service payments to form first charge, and Treasury Circular No. 10-2020 of 16 June 2020; Ref DGIPE/A/1/80 on prioritization of pending bills by state corporations and semi-autonomous government agencies, which requires state corporations with pending bills to rationalize their budgets to ensure eligible pending bills are included in their budgets before the same is approved by the National Treasury.	The buildup of the above arrears is due to under performance of the factory between the year 2016 and 2020 due to delayed factory maintenance. This resulted to frequent breakdowns hence compromising the cash flow position making the Company unable to meet its obligations. The impact of the challenges above contributed to the build-up of the pending bills as reflected in the company books as at 30.06.2024.	outstanding

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Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
20.	Non Remittance of Retirement Benefits Obligation The statement of financial position, and as disclosed in Note 29 to the financial statements, reflects retirement benefits obligation balance of Kshs.271,027,000. Review of supporting records for audit revealed that the Company, the Board of Trustees of Sony Sugar Retirement Benefit Scheme and the Retirement Benefits Authority entered into a tripartite payment plan agreement on 12 November, 2021. The outcome of the agreement was that the accumulated arrears plus interest at the time amounting to Kshs.292,952,112, would be paid at the rate of Kshs.4,068,779 per month, under a six (6) year plan, till completion, all outstanding contributions on account of leavers of Kshs.84,400,000 would be remitted within twenty-four (24) months to enable the scheme pay off the outstanding benefits to the ex-members by December, 2023 and current contributions would be remitted going forward. However, Management did not adhere to the terms of the tripartite payment plan agreement and had accrued an outstanding balance of Kshs.271,027,000 exclusive of interest accrued and penalties. Management had not made any effort to clear the outstanding amount which continues to attract penalties and interest.	The buildup of the above arrears is due to under performance of the factory between the year 2016 and 2020 due to delayed factory maintenance. This resulted to frequent breakdowns hence compromising the cash flow position making the Company unable to meet its obligations. The impact of the challenges above contributed to the build-up of the pending bills as reflected in the company books as at 30.06.2024.	outstanding
21.	Understaffing of Internal Audit Department Review of the Internal Audit Unit's staff establishment showed that the unit only had six (6) employees of the recommended staff establishment of thirteen (13), resulting to an understaffing of seven (7) staff (or 46%) of the approved establishment. Stemming from this, the effectiveness of the Internal Audit Department in providing independent assurance may have been impeded.	The Company experienced high staff turn-over in the recent past. However the Government through circular Ref: OP/CAB.39/4A dated July 28, 2017 and ref. MOAALF&C/CS/ADM/30 dated July 7, 2020 froze recruitment/ confirmation of staff. However, this has been resolved as new staff have been recruited in the Division.	Resolved

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Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
22.	Construction of Domestic Effluent Pond and Additional Scope. Documents presented for audit reflected that the contract for design and construction of lagoon and additional works of rehabilitation of BQ sewer line and diversion of DEF line from Kenya Electricity Transmission Company (KETRACO) plot that was awarded to a Company was terminated due to delayed completion and slow progress on execution of the rehabilitation works. The works were terminated when the contractor had been paid Kshs.13,750,524 (90%) of the total contract sum of Kshs.15,278,360.	This project was completed and put to use. Relevant documents certified by the end user attached.	Closed
23.	Contract for Rehabilitation of Industrial Effluent The contract for rehabilitation of Arende Pond was awarded to a local company and was terminated due to delayed completion and slow progress on the execution of the rehabilitation works when the contractor had been paid Kshs.2,997,166 or 60% of the contract sum of Kshs.4,995,277	Due procurement process was followed in ensuring value for money in this project, with due respect to quality, contract terms and timelines.	Closed
24.	Lack of an E- Tendering Process Resulting to Receipt of Quotations Online through Individual Email Accounts It was reported on instances where the Company would send and receive Quotations through individual staff email account as part of the e-tendering system contrary to the Public Service Circular Number SH/ADM/23(1) dated 14 June2 2022 on use of personal email addresses for official Government business.	Audit observation is noted. The management is committed in ensuring that procurement rules in place are accordingly observed. The attached evidence confirms compliance to the procurement rules (Appendix 4)	Closed