

REPUBLIC OF KENYA



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REPORT

THE NATIONAL ASSEMBLY
PAPERS AND

OF

DATE: 15 FEB 2023

DAY

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TABLED
BY:

Deputy
Majority Leader

THE AUDITOR-GENERAL

CLERK-AT
THE-TABLE:

Fo Muriuki

ON

**SOUTH NYANZA SUGAR
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**



SONYSUGAR
Simply The Sweetest

SOUTH NYANZA SUGAR COMPANY LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
30 JUNE 2021**

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

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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, Livestock and Fisheries 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 up to the date of dissolution of the Board on 16.07.2020 were:

Charles Oyugi Owino	Chairman -(Appointment revoked on 16.07.2020)
Stephen Ligawa	Managing Director (Ag)
David Kithale	Alternate – Principal Secretary, Ministry of Agriculture, Livestock Irrigation and Fisheries-(Appointment revoked on 16.07.2020)
Ms. Peninah Mukami Njunge	Alternate – Cabinet Secretary, the National Treasury (Appointment revoked on 16.07.2020)
Hon Winnie K. Njuguna	Director -(Appointment revoked on 16.07.2020)
Hon. Jared O. K'Opiyo	Director -(Appointment revoked on 16.07.2020)
Hon. Daniel L. Ole Seitai	Director -(Appointment revoked on 16.07.2020)
Mr. Thomas M. Nyangi	Director -(Appointment revoked on 16.07.2020)
Ms. Agnes C. Busienei	Director -(Appointment revoked on 16.07.2020)
Ms. Dorice Donya Aburi	Director -(Appointment revoked on 16.07.2020)
Ms. Helen Amina	Director -(Appointment revoked on 16.07.2020)
Mr. James Maganda	Director -(Appointment revoked on 16.07.2020)

The Directors and alternates continued in office up to 16.07.2020 in accordance with the provisions of the articles of association of the Company. The Government dissolved the entire Board on the 16.07.2020 through Gazette Notice CXXII – NO. 148 dated 03.08.2020.

SENIOR MANAGEMENT

Stephen Ligawa	Managing Director (Ag)
Samson Mbayi	Head of Finance (Ag)
Maurice Omondi	Company Secretary-(Ag) ICPSK Reg. No. 1386
Patrick Mugenya	Head of Manufacturing (Ag)
Ken Nyangwara	Head of Marketing & Business Development (Ag)
Zakayo Gombe Oindo	Head of Agriculture (Ag)
Dan Oyamo	Head of Human Resources (Ag)
James Oluoch	Head of ICT
Caroline Ochele	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

Barclays 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

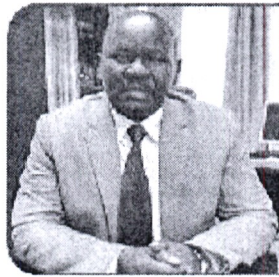
5. TRIPLEOKLAW
P.O. Box 43170-
00100 NAIROBI



Hon. Charles Owino Onyango
Board Chairman



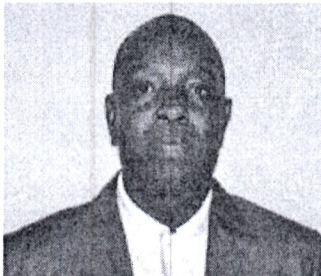
Mr. Thomas Nyangi Mwita
Director



Mr Stephen Ligawa
Managing Director (Ag.)



Mr. Daniel Seitai
Director



Mr. James Magaada
Director



Ms. Helen Achieng Amina
Director



Hon. Jared K Opiyo
Director



Hon. Winnie Njuguna
Director



Ms. Dorice Donya
Director



Ms. Agnes Busienei
Director

BOARD OF DIRECTORS (CONTINUED)



Ms. Theodora Gichana
Rep. I.G State Corporations



Mr David Kithale
Rep. P.S. MoA, L.F&I



Ms Peninah Mukami
Rep. C.S. National Treasury

Directors' qualifications and experience

SN	DIRECTOR	DATE OF APPOINTMENT	DATE OF BOARD DISSOLUTION	COUNTY OF ORIGIN	HIGHEST LEVEL OF EDUCATION
1	HON. CHARLES OYUGI OWINO	6.6.18 (BOARD CHAIRMAN)	16.07.2020	MIGORI	MA, FINANCIAL ECONOMICS
2	MS. PENINAH MUKAMI NJUNG'E	30.09.19 (ALTERNATE TO PS, NATIONAL TREASURY)	16.07.2020	KIAMBU	MASTERS OF ARTS IN ECONOMICS
3	MR. DAVID KITHALE	03.02.2020 (ALTERNATE TO PS, PARENT MINISTRY)	16.07.2020	KITUI	MASTERS IN AGRICULTURAL ECONOMICS.
4	HON. WINNIE NJUGUNA	20.09.18 (INDEPENDENT DIRECTOR)	16.07.2020	KIRINYAGA	BA, LEADERSHIP & MANAGEMENT
5	HON. JARED KOPIYO	20.09.18 (INDEPENDENT DIRECTOR)	16.07.2020	MIGORI	MBA, HUMAN RESOURCE MANAGEMENT
6	MR. JAMES MAGANDA	20.09.18 (INDEPENDENT DIRECTOR)	16.07.2020	NYAMIRA	MA, HUMAN RESOURCE MANAGEMENT
7	MRS. AGNES CHEPKEMOI BUSIENI	20.09.18 (INDEPENDENT DIRECTOR)	16.07.2020	NAROK	MA, EDUCATION MANAGEMENT
8	HON DANIEL LESHAN OLE SEITAI	20.09.18 (INDEPENDENT DIRECTOR)	16.07.2020	NAROK	DIP, POLITICAL SCIENCE
9	MR. THOMAS NYANGI MWITA	20.09.18 (INDEPENDENT DIRECTOR)	16.07.2020	MIGORI	MBA
10	MS. DORICE DONYA ABURA	20.09.18 (INDEPENDENT DIRECTOR)	16.07.2020	KISII	DIP, MASS COMMUNICATION
11	MS. HELEN ACHIENG AMINA	14.12.18 (INDEPENDENT DIRECTOR)	16.07.2020	SIAYA	MASTERS OF ARTS IN GENDER AND DEVELOPMENT

SENIOR MANAGEMENT



Stephen Ligawa
Managing Director (Ag)
Msc. Chemistry
Bsc. Chemistry



Samson Mbayi
Head of Finance (Ag.)
MA (PPM)
Bcom Finance - CPA



Patrick Mugenya
Head of Manufacturing(Ag)
Bsc Mech. Eng.



Zakayo Gombe
Head of Agriculture(Ag)
Msc. Hort. Eng.
Bsc. Agric. Eng.



Dan Oyamo
Head of Human Resources (Ag.)
BA
HND Hum. Res. Mgt.



James Oluoch
MBA Strat Management
BBA Mgt Info. Sys



Mourice Omondi
Company Secretary (Ag)
LLB Honors
Dip. in Law



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



Caroline A. Ochelle
Head of Procurement(Ag)
MA Proc & Logistics
Bsc Suppliers & Chain Mgt.



Ken Nyangwara
Head of Marketing (Ag.)
MBA Strat. Mgt.
BBA (Marketing)

CHAIRMAN'S STATEMENT

The Government dissolved the entire Board on the 16 July 2020 through The Kenya Gazette Notice number CXXII – NO. 148 dated 03.08.2020. The appointment of the Chairman was therefore revoked on the same day (16 July 2020).

REPORT OF THE MANAGING DIRECTOR

It is my pleasure to present to you the Annual Reports for the year ended 30.06.2021. This comes at a time when we are faced with difficult times worsened by the effects of COVID-19 pandemic in the sector and the economy in general. The disruptive effects of the pandemic greatly affected our delivery strategies and operations. We experienced several challenges during the year such as unplanned factory down time occasioned by start-up failures and unfair competition occasioned by increased presence of counterfeit products in the market. Despite the odds, we are taking bold and deliberate actions to stabilise our business and ensure well-being of our staff by undertaking a meaningful factory rehabilitation that will guarantee better performance.

Financial Performance

Irrespective of the difficult operating environment during the year, cane milled improved to 370,301 tons (2020: 133,270) against a budget of 565,000 tons of cane realizing 25,753 and 11,399 tons of sugar and molasses respectively. Gross sales posted was Ksh.2,383 million against budgeted sales of Ksh.5,720 million, a drop of 58%. The Company's total operating costs aggregated to 3,097 million resulting in Ksh. 1,106 million operating loss. This compares favourably to the previous year 2020, where the operating loss was Kes. 1,386 Million, realized from gross sales of Kes. 411 Million.

Revenue

As in the previous year, the price of sugar per ton was highly elastic during the year ended 30.06.2021. It oscillated between the highest range averaging Kes. 92,663 per ton in the month of January 2021 and falling by 10.43% to the lowest average of Kes. 83,000 per ton in the month of July 2020. This was attributed to high volumes of sugar imports and counterfeits in the market. The period that the sugar prices went up coincided with the Government crackdown on illegal and illicit sugar imports. The good prices were felt for approximately one month during the year under review, January 2021.

Production Costs

Cost of production per ton of sugar averaged Ksh. 248,458 (2020: Kes. 406,527). This is attributable to high fixed costs occasioned by low capacity utilization and low factory efficiency.

The Company's stability is heavily dependent on the ongoing factory rehabilitation. The lower than optimal production and the current state of the plant will be addressed by the ongoing factory maintenance aimed at bringing the factory back to profitability and a healthy working capital.

Operating Volumes

Despite the operational challenges, the Company milled 370,301 tons of cane in the period under review against a budget of 565,000 tons. This performance was 65.6% achievement of budget. In the same period last year, the Company milled 133,270 tons of cane. Sugar produced was 25,753 tons against a budget of 56,840 tons. This was 45.3% achievement on budget, and is 21,359 tons above 4,394 tons produced in the same period last year. This increase is due to improved cane volumes and conversion efficiency as a result of the factory repairs that ended in the month of August 2020. Sugar and molasses sold in the period under review were 25,749 tons and 11,399 tons (F/Y 2020: 4,540 tons and 6,170 tons) respectively.

Agriculture

At close of business, area under cane was 8,902 hectares made up of 6,579 hectares under contracted farmers (Outgrowers) and 2,323 hectares in the Company Nucleus Estate. This is not in line with a requirement of 17,600 hectares annually with a yield of 75 tons per ha and a sucrose percent cane of 13.45 needed to attain 2,700 tons of cane daily raw material supply to the factory. Milling cane delivered to the factory during the year was 370,301. Of these, 310,127 tons (84%) was delivered from the outgrowers farmers while 60,174 tons (16%) from the nucleus estate.

Adequate Measures have been put in place to ensure sustainability in cane delivery to support the raw material requirement post factory maintenance. The Company has embarked on vigorous cane development drive whose

objective is to develop 6,000 Ha under cane over the next three years, at a projected cost of Kes. 2.25 Billion. This has a bearing towards addressing possible drop in sugarcane production.

The initiative is to secure the primary source of raw material that will support factory after maintenance as well as empowering the Out grower farmers in the region. The Company continues to directly engage sugar cane farmers and key Industry stakeholders in an effort to rally farmers to free more land for cane production.

Factory Performance

Given the gains made from the factory repairs carried out between May 2020 and August 2020, we have once again partnered with our customers and suppliers for another face which started from June 2021. The ongoing comprehensive maintenance is out of good will and trust from our suppliers who have continued to supply us with spares and services on the understanding that they will be paid upon resumption of the operations. The step is taken as we await for funding from The National Treasury to offset the obligation and to address other critical parts of the plant.

Once completed, this exercise is expected to achieve improved sugar recovery ratio, factory time efficiency of over 70% and guaranteed factory availability.

Market

With constantly changing market prices of sugar, we have made it our business to proactively engage our customers as a continuous process by paying attention to brand preferences. We have made efforts to track and remedy issues raised by customers given that sugar has been one of the most volatile agricultural commodities. In the domestic market, sugar prices remained largely depressed in the year under review due to uncontrolled importation of duty free and alleged contraband sugar into the Kenyan market. The price per ton of sugar increased by 12% from an average net of Kes. 75,604 (Gross: Kes. 87,701) in 2019/2020 to an average net of Kes. 67,479 (Gross: Kes. 78,014) in the year under review.

Human Capital

SonySugar employees are among the highly qualified in the sector with various professional accolades attained on behalf of the Company. Despite the operational challenges experienced during the year in terms of staff manning levels, we have streamlined the roles and build a nimble team capable of driving the organisation strategies. Resilience demonstrated by this team as we carry out factory rehabilitation is beyond measure.

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 remains a challenge to the company due to several undecided cases. These are cases filed against the Company for breach of cane growing contracts stretching back over 10 years. The cases arose as a result of unrealized proposed expansion of the factory in early 2000, in which cane area was expanded to justify the proposed expansion. Due to the unrealized expansion of the factory, the Company was not able to harvest cane that was grown in several areas as a consequence of which such fields went to waste for which farmers together with the Company suffered losses. Lately contract breaches have resulted in additional cases.

As in the previous year, we have put in place initiatives to reduce litigations in these areas. These include: amongst them being criminal prosecution for fraud, outreach programs to farmers for amicable resolution of disputes and new framework of managing cane contracts amongst others. Significant progress has been made in the retrieval and availability of information and records, scaling up of witness presentation in court plus production of relevant documents and the co-operation with the local administration for amicable resolution of potential legal disputes has been secured.

Management will continue 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 are expected to reduce the numbers to the limits that are manageable and bringing into control litigation against the company. Management expects that the unscrupulous lawyers who have been pursuing outright fraudulent cases shall be prosecuted after the ongoing investigations by Directorate of Criminal Investigation are concluded.

Managing Director's report (Continued)

The Big 4 Agenda

South Nyanza Sugar Company Limited remains instrumental in the economic growth of the nation thereby underscoring the need to continuously devise strategies that drives the Big Four agenda. As a company, we strive to address three of the Big Four agenda namely, Manufacturing, universal healthcare and food security.

Under the Food Security Pillar, we focus to increase sugar cane output, cane growers incomes and sugar production through increase in investment in sugar cane development and planted cane area. This is achieved by supporting farmers in cane development and training.

On the Manufacturing Agenda, we are determined to have in place a stable factory that will guarantee a steady production capable of surpassing budgeted targets and delivering high class products with minimal costs.

On the Universal Healthcare Agenda, the Company's medical centre is strategically placed to provide health services to over 1800 households within the sugar belt. The services cover affordable clinical services, ante-natal and post-natal services, and comprehensive care services for HIV/AIDS patients. This is further supported health care outreach programs in collaboration with various partners including County Health Services in areas of Public health, HIV/AIDS, lifestyle disease, Maternal and Child health management within the grower and trading community it serves.

Future Outlook

Looking into the future, we see opportunities as well as new challenges that our company must deal with. Though we face many uncertainties associated with COVID-19 pandemic, our strategic focus is to target the following broad areas which shall be key drivers in the realization of initiatives under the Big 4 Agenda:

1. Agriculture Operations

At the beginning of the year, the Company embarked on an aggressive cane development targeting over 6,000 Ha progressively over the next 4 years, we were therefore poised to bridge the cane shortage gap created through unfair business practices by our competitors through cane poaching menace. However, the global pandemic side tracked the strategy which was set to yield fruits at the end of the year. This was through continued lack of fertilizer in the market and high prices of other farm input having drastic impact on future cane yields.

Despite the challenges, we have entered into partnership with the farmers to ensure uninterrupted flow of raw materials to the factory. To compliment this initiative, we have established tree nurseries for purposes of distributing seedlings to farmers to diversify their revenue.

2. Information Communication Technology

Due to low performance in the year due to lack of a comprehensive factory maintenance and the effects of COVID-19 pandemic, the company did not establish the data centre and planned network resources infrastructure. However, in the coming year, we will channel investment in this area by supporting our investment in two key ERP systems i.e. Agriculture Management System (AMS) and SAP ERP systems which are important pillars in driving our competitiveness.

3. Business Environment

The COVID-19 pandemic has negatively impacted the economy causing unprecedented disruptions of the global supply chain. Prices of factory spares and movement of overseas experts greatly affected our timelines for factory maintenance. In addition, the retail price of sugar has fallen below the breakeven point due to unfair business practices, the driving factor being unregulated sugar imports by private millers. Despite the current market challenges, the Company is currently working on strategic fronts to remain competitive.

4. Manufacturing

We have put in place elaborate plan to strategically strengthen the plant through regular maintenance to guarantee steady performance in line with the big 4 agenda.

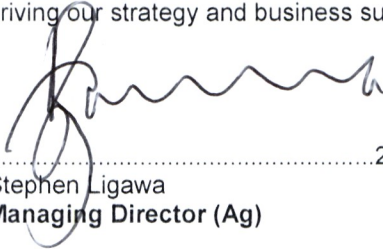
Managing Director's report (Continued)

The maintenance carried out in between May 2020 and August 2020 and the ongoing factory rehabilitation is a step towards effectiveness that will guarantee stability of the plant and optimal capacity utilization.

Conclusion

On behalf of Management, I hereby extend my deepest appreciation to the Permanent Secretary, State Department of Crops, Ministry of Agriculture, Livestock and Fisheries and the Government of Kenya.

I further extend my gratitude to our esteemed customers for confidence they bestowed on us, the entire South Nyanza Sugar Company Ltd staff for their continued support, resilience and significant contribution towards driving our strategy and business success amidst difficult operating environment.



.....2021
Stephen Ligawa
Managing Director (Ag)

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

During the year under review, the company did not achieve its targets in terms of revenue generation due to low level of activities and from input output perspective. The Annual Planned Maintenance that was programmed within the year was not achieved on target and as a result, the Company did not achieve a 15% Return on Capital Employed (ROCE) as per the strategic plan targets/projection. As the previous year, the Company operated under unfavourable operating environment as explained below;

1. Aggravated cane shortage due to cane theft by our competitors affecting plant capacity utilization, product availability and revenue generation. Apart from intense cane theft, yields were also on a downward trend, largely due to inadequate/erratic supply of fertilizer.
2. Poor cash flow and plant fatigue as a result of prolonged running without comprehensive maintenance,
3. shelved or delayed development plans,
4. Unstable and low sugar prices from dumping and counterfeiting in the major part of the period occasioning significant price depression and reduced revenue.

As a result of the above challenges, the company did not achieve the following strategic objectives during the year ended 30th June 2021:

1. Increase market share of sugar market from 12% to 15%
2. Developing new products aimed at satisfying existing and emerging consumer needs that would increase the revenue streams.
3. Due to constrained cash flows, operationalisation of efficiency in business processes covering cane production, soil management, propagation of improved cane varieties, improved extension services, reorganization of extension services among others were not properly funded as a result of operational circumstances. These activities are important in enhancing milling and sugar recovery efficiencies
4. Planned diversification investments were never realized due to lack of funding, this denied the business additional revenue streams that would have cushioned it against fluctuation of sugar prices.
5. Sugar production was below the target throughout the period. This adversely impacted sales volumes, revenue generation and profitability, a situation that put the company in an adverse financial position.

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

No.		Description	Kshs "000"
1.	Payroll	Salaries, payroll remittables and statutory payments in arrears	1,962,527
2.	Cane related payment	Harvesters, weeders and land development contractors	108,194
3.	Farmers arrears	On account of cane delivered to factory	1,060,261

Irrespective of the above challenges, the future outlook is good. The ongoing factory maintenance is expected to bring operations to near normalcy in the following year. Post maintenance, efficiency is expected to improve from below 40% to over 75% during the year 2022. Effective cost containment measures have also been put in place.

To achieve optimal utilization of human capital, the Company is in the process of implementing appropriate capacity building and up skilling and at the same time focusing on results management. This will help to mitigate the high level of staff turnover that was occasioned by reduced levels of operations during the year ending 30.06.2021.

The company is also addressing the variables that determine the quality of cane such as delay in transportation, overstay in the yard amongst others, efforts are being made to revamp targeted unit processes in the front end of the sugar plant and process area to cover lost grounds in the year ending 30.06.2021.

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 has embraced 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. The previous Board comprises of eleven (11) Directors nine (9) of whom are non-executive directors including the Chairman. Alternate Directors from the parent ministry and National Treasury also sit in the Board. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues.

The Directors come from various parts of the country and are professionals in various fields. They had brought a wealth of experience, expertise and knowledge in the various disciplines that they come from.

The appointment of Board members was however revoked on August 3, 2020 vide a Kenya Gazette notice number 5435 dated 3rd August 2020.

In line with the provisions of Mwongozo Code of Conduct, the Board of Directors strived to ensure that the Company complies with the provisions of the constitution and all applicable laws, regulations, codes and applicable standards. The Board has put in place internal procedures and monitoring systems to promote compliance with strategic objectives of the Company and submit compliance reports on all statutory obligations to the respective Government Departments/Agencies within the specified timelines.

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

During the period, all Board members were trained on Mwongozo and Corporate Governance so as to equip them with the requisite skills and tools for the effective Management of the Organization.

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

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

The Company Secretary attends all Committee and Board meetings. 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.

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

Statement of corporate governance (continued)

Board Meetings

In view of the intended leasing of public sugar mills, the Government dissolved the entire Board on the 16th July 2020 through Gazette Notice number CXXII – NO. 148 dated August 3, 2020. No Board / Committee meetings were therefore held during the period under review.

Committees of the Board

The Board set up the following Board Committees which meet under well-defined terms of reference set by the Board. This was intended to facilitate efficient decision making of the Board in the discharge of its mandate and obligations. However due to the dissolution of the Board as aforesaid, there were no committee meetings held during the period under review.

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.

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.

Statement of corporate governance (continued)

- 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.

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, major and emerging issues and strategic opportunities for the Company.

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.

Directors' Emoluments and Loans

The aggregate amount of emoluments paid to directors during the financial year 2020/2021 is disclosed in the notes to the financial statements.

There were no arrangements for the directors to acquire benefits through the acquisition of the Company's shares.

Statement of corporate governance (continued)

Directors' qualifications and experience for the year 2020/2021

SN	DIRECTOR	DATE OF APPOINTMENT	DATE OF BOARD DISSOLUTION	COUNTY OF ORIGIN	HIGHEST LEVEL OF EDUCATION
1	HON. CHARLES OYUGI OWINO	06.06.2018 (BOARD CHAIRMAN)	16.07.2020	MIGORI	MA, FINANCIAL ECONOMICS
2	MS. PENINAH MUKAMI NJUNG'E	30.09.2019 (ALTERNATE TO PS, NATIONAL TREASURY)	16.07.2020	KIAMBU	MASTERS OF ARTS IN ECONOMICS
3	MR. DAVID KITHALE	03.02.2020 (ALTERNATE TO PS, PARENT MINISTRY)	16.07.2020	KITUI	MASTERS IN AGRICULTURAL ECONOMICS.
4	HON. WINNIE NJUGUNA	20.09.2018 (INDEPENDENT DIRECTOR)	16.07.2020	KIRINYAGA	BA, LEADERSHIP & MANAGEMENT
5	HON. JARED KOPIYO	20.09.2018 (INDEPENDENT DIRECTOR)	16.07.2020	MIGORI	MBA, HUMAN RESOURCE MANAGEMENT
6	MR. JAMES MAGANDA	20.09.2018 (INDEPENDENT DIRECTOR)	16.07.2020	NYAMIRA	MA, HUMAN RESOURCE MANAGEMENT
7	MRS. AGNES CHEPKEMOI BUSIENEI	20.09.2018 (INDEPENDENT DIRECTOR)	16.07.2020	NAROK	MA, EDUCATION MANAGEMENT
8	HON. DANIEL LESHAN OLE SEITAI	20.09.2018 (INDEPENDENT DIRECTOR)	16.07.2020	NAROK	DIP, POLITICAL SCIENCE
9	MR. THOMAS NYANGI MWITA	20.09.2018 (INDEPENDENT DIRECTOR)	16.07.2020	MIGORI	MBA
10	MS. DORICE DONYA ABURA	20.09.2018 (INDEPENDENT DIRECTOR)	16.07.2020	KISII	DIP, MASS COMMUNICATION
11	MS. HELEN AMINA	14.12.2018 (INDEPENDENT DIRECTOR)	16.07.2020	SIAYA	MASTERS OF ARTS IN GENDER AND DEVELOPMENT

MANAGEMENT DISCUSSION AND ANALYSIS

The table below analyses the performance of the company during the year ended 30.06.2021

	ACTUAL	BUDGET	ACTUAL	ACTUAL
OPERATIONS DATA	2020-2021	2020-2021	2019-2020	2018-2019
Tons of Cane Milled	370,301	565,000	133,270	420,486
Tons of Sugar Bagged	25,753	56,840	4,394	31,342
Tons of Sugar Sold	25,749	56,840	4,540	31,351
Tons of Molasses Sold	13,666	16,855	6,170	15,037
FINANCIAL DATA	ACTUAL	BUDGET	ACTUAL	ACTUAL
	Ksh'000'	Ksh'000'	Ksh'000'	Ksh'000'
Sales Revenue (Sugar)	2,054,057	4,656,263	353,973	2,674,078
Other Revenue	2942	239,020	54,671	63,508
Stock Movement	(66,378)	108,066	(7,492)	(48,233)
Total Revenue	1,990,621	5,003,349	401,152	2,689,353
Total Direct Costs	1,584,303	3,168,169	642,191	1,999,794
Total In-Direct Costs	1,513,020	1,708,822	1,259,612	1,896,136
Total Operating Costs	3,097,323	4,876,991	1,901,803	3,895,930
Operating Profit/(Loss)	(1,106,702)	126,358	(1,500,651)	(1,206,577)
Finance Costs	199,112	101,317	155,657	151,765
Pre Tax Profit/Loss	(1,305,814)	25,041	(1,656,308)	(1,358,342)
Corporation Tax	(291)	(7,512)	-	-
Profit/Loss After Tax	(1,306,105)	17,529	(1,656,308)	(1,358,342)

The Company operated under very difficult conditions coupled with effects of COVID-19 pandemic affecting the movement of critical material and personnel. The year was characterized by high cost of production and high number of plant stoppages occasioned by breakdowns and cane outages especially in the months of November 2020 and April 2021, these resulted in lower production volumes.

A total of 370,301 tons of cane was milled during the year, which indicates a decrease against a budget of 565,000 by 194,699 tons and more than same period last year volume of 133,270 tons by 237,031 tons.

Management discussion and analysis (continued)

Actual sugar bagged during the year was 25,753 tons which is a shortfall against the budget by 31,087 tons, and also higher than last year's performance by 21,359 tons, and indication of improvement in performance. This increase came about as a result of factory repairs that was carried out between May and August 2020 hence slight improvement on factory performance as tabulated above.

Revenue

Net sales revenue realized in the year was Kes. 2,054 Million and Kes.353.9 million from sugar and other revenue respectively. This falls far below the budgeted revenue of Kes.4,656 million and Kes.239 million for sugar and other revenue respectively.

Operating Volumes

The Company milled 370,301 tons of cane in the year under review against a budget of 565,000 tons. This performance was 34.46% under achievement on budget. Same period last year the Company milled 133,270 tons of cane.

Sugar produced in the year was 25,753 tons against 56,840 tons budget. This was 45.31% achievement on budget, and is 21,359 tons more than 4,394 tons produced last year. This increase is due to improved efficiency as a result of factory repairs that was carried out between May and August 2020. Efficiency is projected to improve further following the ongoing factory rehabilitation.

Sugar sold in the year was 25,749 tons against a budget of 56,840 tons which is 54.7% under achievement on budget and more than last year sales of 4,540 tons by 21,209 tons.

Financial Performance

The total revenue realized in the year was Kes. 2,382 million against a budget of Kes. 5,003 million which is 52.3% below the budget. The lower production and sales volumes in the year coupled with delayed investment in alternative/additional revenue streams budgeted for contributed to this under achievement

During the year, the Company incurred a total operating cost of Kes. 3,097 million (Fixed cost component-Kes. 1,513 million) against a budgeted operating cost of Kes. 4,877 million (Fixed cost component-Kes. 1,709 million). This resulted in an operating loss of Kes. 1,162 million against a budgeted Operating profit of Kes. 126.4 million. Finance related charges amounted to Kes. 142 million against a budgeted allocation of 101 million resulting in a pre-tax loss of Kes.1,306 million against a budgeted pre-tax profit of kes. 17.5 million

Five year financial performance summary

	30-Jun-21 Shs'000	30-Jun-20 Shs'000	30-Jun-19 Shs'000	30-Jun-18 Shs'000	30-Jun-17 Shs'000
Statement of comprehensive income					
Revenue	2,054,068	353,973	2,674,078	2,514,125	4,996,667
Operating loss	(1,162,918)	(1,500,651)	(1,193,799)	(1,981,976)	(187,573)
Loss before income tax	(1,305,814)	(1,656,308)	(1,345,564)	(2,109,764)	(296,782)
Statement of financial position					
Total assets	5,250,733	5,486,103	5,992,808	6,299,750	4761753
Total liabilities	9,101,152	7,993,407	6,843,804	5,792,403	4,322,118
Total equity	(3,850,419)	(2,507,304)	(850,996)	507,346	439,635
Net working capital	(6,509,515)	(5,365,488)	(4,473,752)	(3,606,875)	(1,822,397)

**Management discussion and analysis
(continued)**

Five year operational performance summary

	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
Milled cane (tons)	370,301	133,270	420,486	420,973	602,711
Sugar sold (tons)	25,749	4,540	31,351	32,491	53,472
Rendement (%)	6.96	3.49	7.42	7.56	8.91

Environment and Sustainability reporting

During the year, the Company undertook several corporate social responsibility obligations through structured initiatives to establish and sustain the cordial relation and coexistence among the employees, the local community and all stakeholders; as a dependable entity within the community. In so doing, the Company upheld ethical conducts and best professional practices with the welfare of the employees, the community and all stakeholders, in mind.

The Company maintained the road network with the station, nucleus and outgrower areas. We also continue to provide affordable housing to the employees as well as maintaining both the internal and external housing environments. On environmental conservation, the Company partnered with Equity Bank Foundation and acquired tree seedlings planted within the nucleus estate.

In term of healthcare, as a measure to contain the Covid-19 pandemic, the Company improved the hand washing facilities from the initial plastic buckets to concrete structures, at various points within the Company premises. The Company continues to supply hand sanitizing chemicals and stationing thermo-guns for temperature monitoring to all employees. SonySugar Medical Centre and SonySugar Comprehensive Care Unit was open throughout the year to the staff and members of the public at subsidized costs. SonySugar also has a vibrant St. Johns Ambulance team which offered free first aid services during the 2021 Madaraka Day celebrations held in Kisumu on June 1st. The team also offered assistance to factory staff undertaking the Annual Plant Maintenance in the months of June and July 2021.

To ensure equal opportunities and inclusivity, the Company complied with the spirit of our business policies such as availing tender opportunities to the youth with, the women and persons with disability with Access to Government Procurement (AGPO) certification. On cohesion, inclusivity and diversity, the company upheld Access and Opportunities Act, and ensured the workforce consisted of people from all cultures, religion, ethnicities and irrespective of age, gender, marital status, sexual orientation or physical or mental disability.

On talent and career building, the Company offered opportunity to young professionals with various professional backgrounds on Public Service Commission Internship programme. The Company also offered chances to volunteers as periodic staff to exercise their academic knowledge gained and acquire more practical experience.

On education, the Company offered trainings on ethical practices. The in-house training was offered by Ethics and Anti-Corruption Commission to both the Company's Integrity Committee and senior management. The Company also offered chances for industrial training for college and university students. Additionally, the Company continued to support the SonySugar Nursery and SonySugar Complex schools by maintaining their physical environment, ensuring their security and meeting the welfare requirement of teachers and all employees of the schools.

Sony Sugar Company Limited facilitates growing of sugarcane in out growers and at the same times owns Nucleus Estate for sugarcane production. The Company receives sugarcane from the farms, process sugar and have byproducts like molasses and bagasse. These activities if left free without controls, would degrade environment and become inhabitable. 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 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 summary, 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.

For sustainability, the Company intends to put in place the following measures:-

- a) Maximize sales turnover by selling all products made at the best market prices.
- b) Improve product visibility in key retail outlets and Improve order turnaround time.
- c) Improve external customer service and invest in building brand equity.
- d) Continually improve product packaging and baling to enhance product quality.
- e) Enhance product distribution through effective channel and key accounts management.
- f) Develop untapped local market to increase product availability
- g) Maximize sale of branded sugar.

On market place practices, competition policy aims to promote fair competition and this shall apply to ensure responsible competition is practiced both in the national and regional marketing environment. The regional COMESA Commission promotes and encourages competition by preventing restrictive business practices and other restrictions that deter the efficient operation of markets, thereby enhancing the welfare of the consumers in the Common Market, and protecting consumers against offensive conduct by market actors as per COMESA Official Gazette Vol. 9 No.2 as Decision No. 43 of Notice No 2 of 2004.

The COMESA safeguard that expires in 2023 will also promote healthy competitive business environment in the budget period and offers relief to Kenyan millers and farmers who face competition from cheap imports.

However, the government initiatives by newly formed East Africa Sugar Industry Association towards enforcement of the Rules of Origin for imports, coupled with increased control through AFFA – Sugar Directorate, on imports, the sugar prices are expected to be more stable leading to improved sugarcane prices.

Competition on price and cane supply front is anticipated to intensify in the budget year following restoration of milling efficiency of competing mills in SonySugar zone by 70% and increased cane poaching in the sugar sub sector. This will call for creative ways for managing cane yield and competition through exercising financial discipline, improving service delivery to farmers, effective marketing of the Company's products and full utilization of the ERP system.

SonySugar Company is committed to responsible marketing and advertising having achieved ISO certification standards and several superbrand awards in the last 10 years. Customer fast being key corporate value and value for the customers, we promote the benefits of our products using many different channels of brand communication. Marketing and advertising will be enforced as a strength to inform both customers and consumers. Social media e.g. company website, Facebook will be used to inform people about the benefits of our products and innovations

DIRECTORS' REPORT

The Directors are required to submit their report together with the audited financial statements of South Nyanza Sugar Company Limited (the 'Company') for the year ended 30 June 2021. In view of the intended leasing of public sugar mills, the Government dissolved the entire Board on the 16th July 2020 through Gazette Notice number CXXII – NO. 148 dated August 3, 2020. No Board / Committee meetings were therefore held during the period under review to approve the accounts.

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 8 – 11.

Production and sales

The following are the comparative statistics of cane deliveries and sugar production for the year ended 30 June 2021.

Cane Deliveries (tons)	2021	2020
Nucleus estate	60,174	87,890
Outgrowers	310,127	45,380
Total	370,301	133,270
Sugar Produced (tons)	25,753	4,394
Rendement	6.96%	3.49%

DIVIDEND

The net loss for the year of Shs 1,343,115,000 (2020: net loss of Shs 1,656,308,000) has been added to accumulated losses. The decision on dividend will be made at AGM.

DIRECTORS

The directors who held office during the year up to 3 August 2020 following the dissolution of the Board through Kenya Gazette Notice CXXII No. 148 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:

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

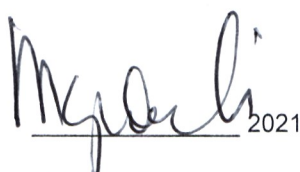
Directors' report (continued)

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 year ended 30 June 2021.

EMPLOYEES

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



2021

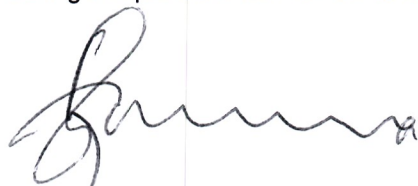
Maurice Omondi
Company Secretary

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 of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The 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 the entity for financial year ended June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

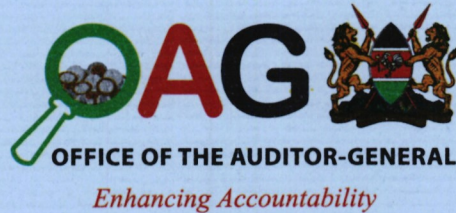
However, the Government dissolved the entire Board on the 16th July 2020 through Kenya Gazette Notice number CXXII – NO. 148 dated August 3, 2020. No Board / Committee meetings were therefore held during the period under review to approve the accounts.



Stephen Ligawa
Managing Director (Ag)

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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the South Nyanza Sugar Company Limited set out on pages 1 to 50, which comprise the statement of financial position as at 30 June, 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of

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

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

Basis for Qualified Opinion

Unsupported Receivables from Out Growers

The statement of financial position reflects receivables from out growers net balance of Kshs.76,475,000 (2020: Kshs.107,099,000) after providing for impairment losses of Kshs.1,063,519,000 as disclosed in Note 19 to the financial statements. Similarly, the gross receivables from out growers balance of Kshs.1,139,994,000 as at 30 June, 2021 is an aggregation of out growers' balances from the main Agricultural Management Systems (AMS), out growers' ledger, and old balances uploaded in a separate ledger in the AMS. The balance arose from the Company's provision of agricultural inputs and services to the out-growers and related accrued interest recoverable.

However, validation of the individual out growers' balances revealed several unsupported transactions in the out growers' ledger, inconsistent transactions between the underlying out growers files and ledger, and transactions in out growers files not recorded in the ledger. Therefore, provision for impairment of receivables from out growers of Kshs.1,063,519,000 (2020: Kshs.979,935,000) is an indication that the management is not able to recover the debts fully from the farmers.

In the circumstances, the accuracy, completeness and recoverability of the receivables from out growers net balance of Kshs.76,475,000 could be not confirmed.

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

Emphasis of Matter

Material Uncertainty in Relation to Going Concern

I draw your attention to disclosure Note 4 to the financial statements, which indicates that the Company incurred a net loss after tax amounting to Kshs.1,343,115,000 (2020: Kshs.1,656,308,000) during the year and had accumulated losses of Kshs.7,628,915,000 as at 30 June, 2021 (2020: Kshs.6,322,810,000). In addition, the Company's current liabilities of Kshs.7,264,845,000 exceeded its current assets of Kshs.755,330,000 resulting

in a negative working capital of Kshs.6,509,515,000 (2020: Kshs.5,365,488,000). These conditions indicate the existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern.

The Management stated that the Company's future depended on the then on-going major rehabilitation of the factory which was expected to increase efficiency and implementation of a comprehensive strategic plan in place aimed at achieving targeted goals. However, the success of these measures is yet to be realized.

Under the circumstances, the financial statements have been prepared on the going-concern basis on the assumption that the Company will continue to get financial support from the Government, shareholders, banks and creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Trade and Other Receivables

As disclosed in Note 18 to the financial statements, the statement of financial position reflects trade and other receivables net balance of Kshs.42,341,000. The following issues were noted:-

1.1 Irregular Payment for Manufacture, Supply, Installation and Commissioning of Rock Removal System

Disclosed in Note 18 to the financial statements is trade and other receivables net balance of Kshs.42,341,000 which includes an amount of Kshs.11,983,274 in respect of down payment made for manufacture, supply, installation and commissioning of rock removal system. This was done contrary to Section 146 of the Public Procurement and Assets Disposal Act, 2015 which provides that no works, goods or services shall be paid for before they are executed or delivered and accepted by the Accounting Officer of a procuring entity.

1.2 Irregular Deposits with Suppliers

Disclosed in Note 18 to the financial statements are other receivables and prepayments gross balance of Kshs.208,984,000 and provision for impairment losses of

Kshs.169,536,000. However, as indicated in the prior years, the balance includes deposits with suppliers' totalling Kshs.109,472,968. This is contrary to Section 146 of Public Procurement and Asset Disposal Act, 2015 which provides that no works, goods or services shall be paid before they are executed or delivered and accepted by the accounting officer of a procuring entity.

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

2. Trade and Other Payables

The statement of financial position and the corresponding Note 26 to the financial statements reflects trade and other payables balance of Kshs.5,904,776,000. The following issues were noted:-

2.1 Unpaid Tax

Included in the trade and other payables balance of Kshs.5,904,776,000 is an amount of Kshs.5,531,497,000 in respect of other payables and accrued expenses. The latter includes outstanding Value Added Tax (VAT) and Pay as You Earn (PAYE) payables totalling Kshs.1,526,530,713 comprising the principal amount, interest and penalties contrary to Section 19 of VAT Act, 2013 and Rule 10 of Income Tax (PAYE) rules, which sets the due date for paying PAYE deductions to be before the tenth day following the end of every month or before any other day which may be notified by the Commissioner.

As reported in the previous year, Management indicated that some of the outstanding obligations had been paid and that it intends to approach the Kenya Revenue Authority for waiver of applicable interest and penalties.

2.2 Unremitted Statutory and Other Deductions

Other payables and accrued expenses balance of Kshs.5,531,497,000 includes unremitted statutory and other deductions on National Social Security Fund (NSSF) Sugar Development Levy (SDL), Sony Cooperative and National Hospital Insurance Fund (NHIF) of Kshs.24,700,855, Kshs.291,179,524, Kshs.142,075,883 Kshs.29,622,250, respectively all totalling Kshs.487,578,512. This is contrary to Section 5 and 6 of Business Laws (Amendment) (No.2) Act, 2021 which set the due date for paying in of NHIF and NSSF deductions at the ninth day of the month following the one deduction is made.

Non-remittance of the statutory and other deductions was a breach of the law which may attract heavy penalties and interests for non-compliance.

2.3 Unpaid Audit Fees

Other payables and accrued expenses balance of Kshs.5,531,497,000 includes a balance of Kshs.4,690,000 in respect of audit and consultancies fees owed to an audit firm that had been contracted previously to perform the audit on behalf of the Auditor-General. Further, the Company has not paid audit fees totalling Kshs.2,464,000 for the financial years 2016/2017, 2017/2018, 2018/2019 and 2019/2020.

No explanation was given for persistent failure to pay the audit fees.

3. Non-Paid Borrowings

The statement of financial position reflects a balance of Kshs.1,352,000 which, as disclosed in Note 27 to the financial statements, includes loans owed to Government of Kenya (GOK/ODA) and Commodities Fund (SDF) of Kshs.843,309,000 and Kshs.499,378,000, respectively which had fallen due by the end of 30 June, 2021.

Non-payments of loans is a breach of contract which may attract heavy penalties and interests for non-compliance.

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

4. Acting Positions Beyond the Allowed Six Months Period

Review of the corporate governance statement revealed that the Managing Director and other senior managers including Heads of manufacturing, agriculture, finance, human resource and seven (7) other members of staff were operating on acting capacities and had exceeded the recommended six months period. Besides, some officers were acting in positions that were either two to three grades higher than their substantive posts. This is in contrary to Section C.14(1) of Public Service Commission Human Resource Policies and Procedures Manual for the Public Service, 2016, which prohibits payment of acting allowance to an officer for more than six (6) months.

As a result, Management was in breach of the law.

5. Non-Compliance with Law on Ethnic Composition

Review of the personnel records revealed that 86% of the staff members were from one ethnic community contrary to requirement of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and 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.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Board of Directors

The Company's Board of Directors was dissolved by the Government on 16 July, 2020 as indicated in the Gazette Notice CXX11 No. 48 dated 3 August, 2020. The Company, therefore, operated without a Board in year the under review and thus affecting its operations negatively in terms of strategic direction and corporate governance.

In absence of the Board of Directors, any strategic decisions made by the company may be challenged in court by interested parties.

2. Data Security

2.1. Lack of ICT Continuity and Disaster Recovery plans

During the year under review, the Company operated without an approved Information System Disaster Recovery Plan and a Business Continuity Plan contrary to the Government ICT standard ICTA-3.002:2019 that stipulates that Ministries, Counties, and State Agencies shall develop, implement and maintain a Business Continuity and Disaster Recovery Plan.

In the circumstances, the Company may not be able to recover lost data or continue operating normally incase of systems failure.

2.2. Non-Establishment of Service Level Agreement

During the year, the Company operated with an outdated Service Level Agreement. The annual subscription for the Microsoft Applications and Oracle Systems had not been renewed and therefore the Company was not getting patch updates and technical support from the service providers.

In the circumstances, the Company systems may be exposed to mal-functions and can be susceptible to attacks by cyber criminals.

2.3. Lack of a Training Program on Information Technology Capacity

Most employees of the Company have not been trained on the applications being used in the organization, like Enterprise Resource Planning (ERP) and Agricultural Management Systems (AMS). Only one champion was trained per Department during the implementation. The other employees therefore lack proper knowledge of the functions of the modules in the systems they are using.

2.4. Improper Maintenance of Information Security

It was noted that some of the data processed in the SAP system are not entered directly by the source entity. For example, employee data on overtime hours is generated at the user department and is communicated manually, in hard copy, to payroll department who then computes the overtime earnings and enter the figures in the SAP system. The user department therefore has no final responsibility over the amount paid for overtime and they have no chance to verify what is finally paid.

In the circumstances, the security and reliability of the Company's data including its Systems could not be ascertained.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- (iii) The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for maintaining effective internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and governance.

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

The 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, the Management is responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

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

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 July, 2022

South Nyanza Sugar Company Limited
 Financial Statements
 At 30 June 2021

Statement of profit or loss and other comprehensive income for the year ended 30 June 2021

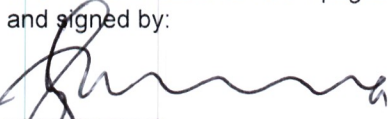
	Notes	Year ended 30 June	
		2021	2020
		Shs'000	Shs'000
Gross sales		2,382,719	410,608
Indirect taxes:			
- Value Added Tax (VAT)		(328,651)	(56,635)
Revenue	6	2,054,068	353,973
Loss/gains arising from changes in fair value less costs to sell of biological assets	16	(11)	-
		<u>2,054,057</u>	<u>353,973</u>
Cost of sales	7	(2,548,919)	(1,307,358)
Gross loss/profit		(494,862)	(953,385)
Other income	8	2,942	54,671
Distribution costs	9	(12,518)	(20,693)
Administrative expenses	10	(658,480)	(581,244)
Operating loss		(1,162,918)	(1,500,651)
Finance costs	11	(142,896)	(155,657)
Loss before income tax		(1,305,814)	(1,656,308)
Income tax credit	13	(291)	-
Loss for the year		<u>(1,306,105)</u>	<u>(1,656,308)</u>
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Remeasurement of post-employment benefits obligation	29	(52,871)	-
Deferred income tax thereon	25	15,861	-
		<u>(37,010)</u>	<u>-</u>
Total comprehensive loss for the year		<u><u>(1,343,115)</u></u>	<u><u>(1,656,308)</u></u>

South Nyanza Sugar Company Limited
Financial Statements
At 30 June 2021

Statement of financial position as at 30 June 2021

	Notes	30 June 2021 Shs'000	30 June 2020 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	4,492,220	4,628,247
Intangible assets	15	3,183	3,445
		<u>4,495,403</u>	<u>4,631,692</u>
Current assets			
Biological assets	16	261,312	286,680
Inventories	17	336,052	383,115
Trade and other receivables	18	42,341	74,421
Receivables from out growers	19	76,475	107,099
Cash and bank balances	20	39,150	3,096
		<u>755,330</u>	<u>854,411</u>
TOTAL ASSETS		<u>5,250,733</u>	<u>5,486,103</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	11,121	48,131
Accumulated losses		<u>(7,628,915)</u>	<u>(6,322,810)</u>
Total equity		<u>(3,850,419)</u>	<u>(2,507,304)</u>
Liabilities			
Non-current liabilities			
Grants	24	586,768	581,293
Borrowings	27	853,021	758,978
Deferred income tax	25	11,083	26,944
Retirement benefits obligation	29	385,435	406,293
		<u>1,836,307</u>	<u>1,773,508</u>
Current liabilities			
Trade and other payables	26	5,904,776	4,889,932
Borrowings	27	1,352,650	1,322,839
Current income tax	13	7,419	7,128
		<u>7,264,845</u>	<u>6,219,899</u>
TOTAL EQUITY AND LIABILITIES		<u>5,250,733</u>	<u>5,486,103</u>

The financial statements on pages 1 to 50 were approved for issue by Management on 30.09.2021 and signed by:


Stephen Ligawa
Managing Director (Ag)

South Nyanza Sugar Company Limited
 Financial Statements
 For the year ended 30 June 2021

Statement of changes in equity for the year ended 30 June 2021

	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 2020						
At the start of year		353,970	3,413,405	48,131	(4,666,502)	(850,996)
Loss for the year		-	-	-	(1,656,308)	(1,656,308)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss		-	-	-	(1,656,308)	(1,656,308)
At end of year		353,970	3,413,405	48,131	(6,322,810)	(2,507,304)
Year ended 30 June 2021						
At start of year		353,970	3,413,405	48,131	(6,322,810)	(2,507,304)
Loss for the year		-	-	-	(1,306,105)	(1,306,105)
Other comprehensive income		-	-	(37,010)	-	(37,010)
Total comprehensive gain		-	-	(37,010)	(1,306,105)	(1,343,115)
At end of year		353,970	3,413,405	11,121	(7,628,915)	(3,850,419)

South Nyanza Sugar Company Limited
Financial Statements
For the year ended 30 June 2021

Statement of cash flows for the year ended 30 June 2021

	Notes	2021 Shs'000	2020 Shs'000
Cash flows from operating activities			
Cash generated from operations	28	117,004	58,785
Interest received	8	379	19,471
Interest paid and other finance charges	11	(142,896)	(155,657)
Net cash generated from/ (used in) operating activities.		(25,513)	(77,401)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	78,154	-
Purchase of intangible assets	15	-	33,557
Proceeds from sale of fixed assets		-	-
Net cash used in investing activities		78,154	33,557
Cash flows from financing activities			
Borrowings		-	366,171
Repayment of borrowings	27	(16,587)	(16,738)
Net cash (used in)/generated from financing activities		(16,587)	349,433
Net (decrease)/ increase in cash and cash equivalents		36,054	305,589
At start of year		3,096	(302,493)
At end of year	20	39,150	(3,096)

South Nyanza Sugar Company Limited
Financial Statements
For the year ended 30 June 2021

STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

FINANCIAL DATA	ACTUAL	BUDGET	VARIANCE	EXPLANATION OF MATERIAL VARIANCES
Sales Revenue	2,054,068	4,931,035	(2,876,966)	Lower sales volumes due to less stocks occasioned by lower production and prolonged factory repairs from May 2020 to 31.08.2020.
Other Revenue	2,942	72,314	(69,372)	The variance is occasioned by non-realization of extra revenue streams budgeted for due hard economic times during the year.
Stock Movement	(66,389)	38,464	(7,154,479)	Timing difference - Value of Production vs Cost of Sales
Total Revenue	1,990,621	5,041,813	(3,051,192)	
DIRECT COSTS				
Cost of Cane	1,348,438	1,825,961	(477,524)	The variance is occasioned by milling less cane volumes than budgeted for. This is due to reduced supply as a result of cane theft and reduced levels of mature cane. Prolonged factory maintenance took better part of milling period in the year
Plant & Fleet Depreciation	155,839	308,396	(152,557)	The variance is occasioned by full depreciation of some of the assets in addition to disposals during the year.
Packaging & Process Chemicals	76,047	146,692	(70,644)	Lower chemical consumption due to reduced levels of operations hence less stocks.
Marketing Costs	1,450	15,880	(14,430)	The Company's presence in print and audio-visual media was lower primarily because of limited availability of product stocks and also due to cash flow constraints and harsh economic times due effects of COVID-19 pandemic.
Spare & Consumables	262,494	808,346	(545,852)	The budgeted consumption was projected to be used during the APM process. Lower consumption is due to limited resources for a comprehensive rehabilitation.
Plant & Machinery Repairs & Maintenance	10,233	101,358	(91,125)	The budgeted repairs and maintenance were to be undertaken during the APM, but due to limited resources, interim repairs were carried out during the year.
Total Direct Costs	1,854,502	3,206,633	(1,352,131)	
IN-DIRECT COSTS				
Staff Costs	1,018,159	1,690,801	(672,642)	The variance is occasioned by the delayed implementation of staff remuneration review and freeze on employment to replace retired cases.
Board and Directors Costs	465	41,200	(40,735)	The Board was dissolved on 16.07.2020 hence the decrease in expenditure
Staff Acquisition & Development Costs	1,485	34,227	(32,742)	The variance is due to fewer than budgeted training activities undertaken in the year under review.

South Nyanza Sugar Company Limited
 Financial Statements
 For the year ended 30 June 2021

STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

FINANCIAL DATA	ACTUAL	BUDGET	VARIANCE	EXPLANATION OF MATERIAL VARIANCES
Rates, Levies & Insurance	135,008	278,730	(143,721)	The variance resulted from legal fees as a result court rulings in favor of the Company. Decrease in litigation against the Company was witnessed due to measure employed to reduce the cases
Utilities	52,079	90,551	(38,473)	The variance resulted from success in management efforts at cost controls.
Travels & Accommodation	17,626	99,099	(81,473)	The variance resulted from success in management efforts at cost controls.
Audits & Consultancies	4,690	65,100	(60,410)	The budgeted consultancies were scheduled to be undertaken during the APM process, expenditure was scaled down due to cash constraint and harsh economic times.
Other Admin Costs net of Recoveries	15,153	(590,885)	606,038	Recoveries timing differences. Realization beyond one financial year, especially with the cane development ventures in outgrowers.
Total In-Direct Costs	1,244,664	1,708,822	(464,158)	
Total Operating Costs	3,099,166	4,915,455	(1,816,289)	
Operating Profit/(Loss)	(1,108,545)	126,358	(1,234,903)	
Financing Overheads	55,780	-	(55,780)	The variance is due to the provisions provided in the final accounts that were not envisioned during the budgeting face.
Finance Costs	141,489	101,317	(55,223)	The variance is due to increased engagements with the banks. Interest increased as a result of moratoriums granted in the year, this was occasioned by the cashflow constraints experienced in the year under review.
Total Finance Costs	197,269	101,317	(96,952)	
Pre Tax Profit/Loss	(1,305,814)	25,041	(1,330,855)	
Corporation Tax Expense	291	7,512	7,512	
Profit After Tax	(1,306,105)	17,529	(1,323,343)	

Notes

1 General information

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 (Shs), 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 June 2021

- | | |
|--|---|
| Amendments to IAS 12
Recognition of Deferred Tax Assets for Unrealised Losses | The amendments to IAS 12 Income Taxes clarify the following aspects: <ul style="list-style-type: none">• 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.

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 2020 (Continued)

Annual Improvements to 2010-2012

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.

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 yet effective for the year ended 30 June 2020

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.

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 yet effective for the year ended 30 June 2021

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.

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 yet effective for the year ended 30 June 2021 (Continued)

IFRS 15 Revenue from Contracts with Customers

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

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 yet effective for the year ended 30 June 2020 (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.

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 yet effective for the year ended 30 June 2020 (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 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.

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 yet effective for the year ended 30 June 2020 (Continued)

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

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

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.

Notes (continued)

2 Accounting policies (continued)

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2020
(Continued)

Annual Improvements to IFRS Standards 2015-2017 Cycle

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

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

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

(iii) Early adoption of standards)

The Company did not early adopt new or amended standards in the period ended 30 June 2020.

(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'.

2 Accounting policies (continued)

(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.

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)

(I) 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 30.06.2021 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 the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes (continued)

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 of Shs 1,343,115,000 (2020: Shs 1,656,308,000) during the year which was added to accumulated losses totaling Shs 7,628,915,000 (2020: Shs 6,322,810,000). In addition, the Company was in a net current liability position of Shs 6,509,515,000 (2020: Shs 5,365,488,000). The amounts that had become due for repayment on the Commodities fund (SDF) Loan as at year-end were not settled. Management has put in place the following to address the situation:

- In addition to factory repairs undertaken between 25 May 2020 and 31 August 2020, we have closed the plant for a major rehabilitation which is projected to end by 10 August 2021. After maintenance, efficiency is projected to be over 80% from about 60%. The future of the company depends on the ongoing factory rehabilitation and the staff that have shown dedication. A comprehensive strategic plan is also in place aimed at achieving targeted goals in the following year.

Based on the above, the management believe that the company will continue in operational existence for at least 12 months from the date of these financial statements. It is therefore appropriate to prepare the Company's financial statements on a going concern basis, which assumes that the Company will continue to meet its obligations as they fall due for the foreseeable future.

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 June 2021, if the Kenyan Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Shs 21,402 (2020: Shs 107,601) 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 June 2021 and 30 June 2020, the Company did not have any borrowings at variable rates.

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 June 2021 is made up as follows:

	2021 Shs'000	2020 Shs'000
Cash at bank (Note 20)	39,150	3,096
Trade receivables (Note 18)	2,893	9,626
Receivable from out-growers (Note 19)	76,475	107,099
Other receivables	39,448	64,795
	157,966	184,616

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:

	2021 Shs'000	2020 Shs'000
Past due but not impaired:		
- by up to 30 days	589	3,359
- by 31 to 60 days	193	50
	782	3,409

South Nyanza Sugar Company Limited
Financial Statements
For the year ended 30 June 2021

Notes (continued)

5 Financial risk management (continued)

(iv) Credit risk (Continued)

	2021 Shs'000	2020 Shs'000
Total receivables:		
Carrying amount before provision for impairment loss	1,420,966	1,399,974
Provision for impairment loss	(1,302,151)	(1,218,453)
	<hr/>	<hr/>
Net carrying amount	118,815	181,521
	<hr/>	<hr/>

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 Shs'000	Over 1 year	Total
At 30 June 2021:			
Liabilities			
- borrowings	1,352,650	853,021	2,205,671
- trade and other payables	5,912,194	-	5,912,194
	<hr/>	<hr/>	<hr/>
Total financial liabilities (contractual maturity dates)	7,264,844	853,021	8,117,865
	<hr/>	<hr/>	<hr/>
At 30 June 2020:			
Liabilities			
- borrowings	1,322,839	758,978	2,081,817
- trade and other payables	4,897,060	-	4,897,060
	<hr/>	<hr/>	<hr/>
Total financial liabilities (contractual maturity dates)	6,219,899	758,978	6,978,877
	<hr/>	<hr/>	<hr/>

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.

	2021 Shs'000	2020 Shs'000
Total borrowings	2,205,670	2,081,817
Less: cash and cash equivalents	(39,150)	(3,096)
Net debt	2,166,520	2,078,721
Total equity	(3,850,419)	(2,507,304)
Total capital	(1,683,899)	(428,583)
Gearing ratio	-129%	-485%

South Nyanza Sugar Company Limited
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For the year ended 30 June 2021

Notes (continued)

6 Revenue	2021	2020
	Shs'000	Shs'000
Analysis of revenue by category:		
Sugar Sales	1,986,955	316,942
Molasses Sales	67,113	37,031
	<u>2,054,068</u>	<u>353,973</u>
7 Cost of Sales		
Cost of cane	1,348,439	412,057
Agriculture: Overheads	419,521	345,781
Agriculture: Depreciation	100,004	105,508
Manufacturing: Costs	596,300	361,134
Manufacturing: Depreciation	84,655	82,878
	<u>2,548,919</u>	<u>1,307,358</u>
8 Other income		
Interest on receivables from Outgrowers	379	19,471
Gain on disposal of fixed assets	-	33,557
Miscellaneous income	2,563	1,643
	<u>2,942</u>	<u>54,671</u>
9 Distribution expenses		
Marketing and advertising	378	-
Production distribution	12,140	20,693
	<u>12,518</u>	<u>20,693</u>

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Notes (continued)

10 Administrative expenses	2021 Shs'000	2020 Shs'000
Staff costs(Administrative departments)	359,874	369,249
Provisions	56,216	115,412
Rates, Levies and insurance	135,008	28,593
Depreciation(Administrative)	29,783	31,561
Travel and accommodation	17,626	5,952
Ground maintenance & waste management	4,978	18,728
Mobile Equipment usage expenses	6,326	1,321
Board & Directors costs	465	11,878
Spares & Consumables	16,667	12,650
Audit & Consultancies	4,690	1,849
Staff Acquisition & Development costs	1,485	422
Utilities	52,079	320
Other administrative costs (Net of recoveries)	(26,717)	(16,691)
	<hr/>	<hr/>
	658,480	581,244
	<hr/>	<hr/>
<p>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.</p>		
11 Finance costs		
Interest expense-CF(SDF) and GoK loans	140,940	96,566
Interest expense-bank charges	1,956	59,091
	<hr/>	<hr/>
	142,896	155,657
	<hr/>	<hr/>
12 Employee benefits expense		
Salaries and wages	968,843	939,803
Retirement benefits costs:		
- Defined contribution scheme	47,544	58,141
- National Social Security Funds	1,734	1,987
	<hr/>	<hr/>
	1,018,121	999,932
	<hr/>	<hr/>
13 Income tax credit		
Deferred income tax (Note 25)	391,791	231,288
Deferred tax asset not recognised	(391,791)	(231,288)
	<hr/>	<hr/>
Income tax credit	-	-
	<hr/>	<hr/>

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Notes (continued)

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:

	2021	2020
	Shs'000	Shs'000
Loss before income tax	(1,305,814)	(1,656,308)
Tax calculated at the statutory income tax rate of 25% (2019 - 30%)	(391,791)	(414,077)
Tax effect of:		
Items not deductible for tax purposes	(19,605)	(6,013)
Under provision of deferred income tax in prior year	(162,420)	43,915
Deferred income tax asset not recognised	574,107	376,175
	<u>291</u>	<u>-</u>
Income tax expense	<u>291</u>	<u>-</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:

	2021	2020
	Shs'000	Shs'000
Opening income tax on other come	(7,128)	(7,128)
Income tax liability/asset (movement)	(291)	-
	<u>(7,419)</u>	<u>(7,128)</u>
Income tax liability/asset	<u>(7,419)</u>	<u>(7,128)</u>

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Notes (continued)

14 Property, plant and equipment

	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 2020									
Opening net book amount	941,394	634,063	2,291,395	508,335	26,102	101,750	175,060	169,831	4,847,930
Additions	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	(114,427)	-	-	-	-	(114,427)
Depreciation charge	(9,606)	(26,413)	(67,955)	(89,147)	(5,962)	(4,240)	-	(16,360)	(219,683)
Depreciation adjust	-	-	-	114,427	-	-	-	-	114,427
Closing net book amount	931,788	607,650	2,223,440	419,188	20,140	97,510	175,060	153,471	4,628,247
At 30 June 2020									
Cost or valuation	1,000,502	891,746	4,390,153	1,442,187	304,394	137,402	175,060	238,268	8,579,712
Accumulated depreciation	(68,714)	(284,096)	(2,166,713)	(1,022,999)	(284,254)	(39,892)	-	(84,797)	(3,951,465)
Net book amount	931,788	607,650	2,223,440	419,188	20,140	97,510	175,060	153,471	4,628,247

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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 2021									
Opening net book amount	931,788	607,650	2,223,440	419,188	20,140	97,510	175,060	153,471	4,628,247
Additions	-	-	3,258	-	-	-	74,896	-	78,154
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(23,467)	-	-	-	-	(23,467)
Depreciation charge	(9,606)	(26,413)	(67,955)	(83,645)	(5,962)	(4,240)	-	(16,360)	(214,181)
Depreciation adjust	-	-	-	23,467	-	-	-	-	23,467
Closing net book amount	922,182	581,237	2,158,743	335,543	14,178	93,270	249,956	137,111	4,492,220
At 30 June 2021									
Cost or valuation	1,000,502	891,746	4,393,411	1,418,720	304,394	137,402	249,956	238,268	8,634,399
Accumulated depreciation	(78,320)	(310,509)	(2,234,668)	(1,083,177)	(290,216)	(44,132)	-	(101,157)	(4,142,179)
Net book amount	922,182	581,237	2,158,743	335,543	14,178	93,270	249,956	137,111	4,492,220

Work in progress largely relates to cost of constructing a building which has not yet been completed and cost of upgrading the plant and machinery.

Notes (continued)

14 Property, plant and equipment (continued)

The Company's property, plant and equipment were revalued on 30 June 2018, by Milligan Valuates 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:

	2021	2020
	Shs'000	Shs'000
Cost	8,894,513	8,839,827
Accumulated depreciation	(4,399,110)	(4,208,135)
Net book amount	<u>4,495,403</u>	<u>4,631,692</u>

Bank borrowings are secured on properties to the value of Shs 2,895,808,000 (2020: Shs 2,895,808,000).

15 Intangible assets

	Software	WIP	Totals
	Shs'000	Shs'000	Shs'000
Year ended 30 June 2020			
Opening net book value	914	2,795	3,709
Additions	-	-	-
Amortisation charge	(264)	-	(264)
Closing net book amount	<u>650</u>	<u>2,795</u>	<u>3,445</u>
At 30 June 2020			
Cost	257,317	2,795	260,112
Accumulated amortization	(256,667)	-	(256,667)
Net book amount	<u>650</u>	<u>2,795</u>	<u>3,445</u>

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15 Intangible assets (Continued)

	Software Shs'000	WIP Shs'000	Totals Shs'000
Year ended 30 June 2021			
Opening net book value	650	2,795	3,445
Additions	-	-	-
Amortisation charge	(262)	-	(262)
	<hr/>	<hr/>	<hr/>
Closing net book amount	388	2,795	3,183
	<hr/>	<hr/>	<hr/>
At 30 June 2021			
Cost	257,317	2,795	260,112
Accumulated amortisation	(256,929)	-	(256,929)
	<hr/>	<hr/>	<hr/>
Net book amount	388	2,795	3,183
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16 Biological assets

	Cane Shs'000	Dairy animals Shs'000	Total Shs'000
Year ended 30 June 2020			
- At start of the year	340,124	1,482	341,606
- Additions due to development of cane	43,557	-	43,557
- Decrease due to harvest	(98,484)	-	(98,484)
- Loss arising from changes in fair value less cost to sell of biological assets	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	285,198	1,482	286,680
	<hr/>	<hr/>	<hr/>
Year ended 30 June 2021			
At start of year	285,198	1,482	286,680
Additions due to development of cane	103,290	-	103,290
Transfer to bearer plant	-	-	-
Decrease due to harvest	(128,647)	-	(128,647)
Losses arising from changes in fair value less costs to sell of biological assets	-	(11)	(11)
	<hr/>	<hr/>	<hr/>
At end of year	259,841	1,471	261,312
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	2021 Shs'000	2020 Shs'000
Factory and agriculture spares	239,089	249,732
General consumables	66,212	70,900
	305,301	320,632
Finished goods (sugar & molasses)	3,577	885
Sugar in process	6,237	51,467
Goods in transit	20,937	10,131
	336,052	383,115

18 Trade and other receivables

Trade receivables	71,988	78,608
Less: provision for impairment losses	(69,095)	(68,982)
	2,893	9,626
Net trade receivables		
Other receivables and prepayments	208,984	234,332
Less: provision for impairment losses	(169,536)	(169,536)
	39,448	64,795
Net other receivables and prepayments		
	42,341	74,421

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Financial Statements
For the year ended 30 June 2021

Notes (continued)

18 Trade and other receivables (Continued)

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

	2021	2020
	Shs'000	Shs'000
At start of year	238,518	237,503
Charge to profit or loss	(114)	1,015
	<hr/>	<hr/>
At end of year	238,404	238,518
	<hr/>	<hr/>

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

	2021	2020
	Shs'000	Shs'000
Billable inputs and services	865,016	834,193
Unbilled services	67,778	67,778
Accrued interest on land development	207,200	185,063
	<hr/>	<hr/>
Gross receivables from Outgrowers	1,139,994	1,087,034
Less: provision for impairment losses	(1,063,519)	(979,935)
	<hr/>	<hr/>
	76,475	107,099
	<hr/>	<hr/>

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

	2021	2020
	Shs'000	Shs'000
At start of year	979,936	865,540
Charge to profit or loss/(write back)	83,583	114,396
	<hr/>	<hr/>
At end of year	1,063,519	979,936
	<hr/>	<hr/>

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

South Nyanza Sugar Company Limited
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Notes (continued)

20 Cash and bank balances

For the purposes of the statement of cash flows, cash and cash equivalents include the following:

	2021	2020
	Shs'000	Shs'000
Cash and bank balances	39,150	3,096
Bank overdrafts	-	-
	<hr/>	<hr/>
	39,150	3,096
	<hr/>	<hr/>

Cash and bank balances details:

Petty cash account -Kisumu	-	-
Petty cash account -Nairobi	-	-
Cash in transit	-	-
Lipa na Mpesa Paybill	-	63
Barclays Bank of Kenya-Kisii – Acct 0081222509	277	2,387
Co-operative Bank-Migori- Acct 01136204628700	649	30
Kenya Commercial Bank-Migori- Acct 1106321308	9	3
National Bank of Kenya Awendo- Acct 01001045348700	198	65
Co-operative Bank Capex-Migori-Acct 01136204628701	3,805	-
Co-op Bank –VAT/SDL –Rongo- Acct 01136204628702	744	529
Co-operative Bank-Farmers-Rongo- Acct 01136204628703	4	13
NBK project account-Acct 01001045348702	1,954	6
Co-op Bank- Escrow acct HQ-Acct No-01692204628701	31,510	-
	<hr/>	<hr/>
	39,150	3,096
	<hr/>	<hr/>

21 Share capital

	Number of	Ordinary
	shares	shares
		Shs'000
Balance at 1 July 2020 and 30 June 2021	17,698,500	353,970
	<hr/>	<hr/>

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:

	2021	2020
	Shs'000	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
	<hr/>	<hr/>
	353,970	353,970
	<hr/>	<hr/>

South Nyanza Sugar Company Limited
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Notes (continued)

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 2020	Shs'000
At start of year	3,413,405
Assets revaluation	-
At end of year	<u>3,413,405</u>
 Year ended 30 June 2021	
At start of year	3,413,405
Asset revaluation	-
At end of year	<u>3,413,405</u>

23 Other reserves

	2021	2020
	Shs'000	Shs'000
At start of the year	48,131	48,131
Comprehensive income	<u>(37,010)</u>	-
At end of the year	<u>11,121</u>	<u>48,131</u>

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 Commodities Fund for purchase of machinery for road maintenance, construction of bridges and payment of farmers' arrears. Assets are amortized over the life of the machinery. Additions during the year relates to funds paid directly to farmers' accounts by the Government. The movement in the year is as follows:

	2021	2020
	Shs'000	Shs'000
At start of year	581,293	469,973
Additions	9,044	115,650
Amortisation charge	<u>(3,569)</u>	<u>(4,330)</u>
At end of year	<u>586,768</u>	<u>581,293</u>

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Notes (continued)

25 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%). The gross movement on the deferred income tax account is as follows:

	2021	2020
	Shs'000	Shs'000
At start of year	26,944	26,944
Credit to income statement (Note 13)	(391,791)	(231,288)
Credit to other comprehensive income	(15,861)	-
(Over)/under provision of deferred income tax in prior year	-	-
Deferred income tax not recognized	391,791	231,288
	<hr/>	<hr/>
At end of year	11,083	26,944
	<hr/>	<hr/>

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

Year ended 30 June 2021	1 July 2020	Charged/ (credited) to P/L	(Credited to equity)	30 June 2021
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities				
Property, plant and equipment:				
- on historical cost basis	399,457	129,397	-	528,854
- on revaluation surplus	403,680	210,791	-	614,471
Biological assets	102,482	-	-	102,482
	<hr/>	<hr/>	<hr/>	<hr/>
	905,619	340,188	-	1,245,807
Deferred income tax assets				
Other temporary differences	(610,949)	(22,319)	-	(633,268)
Post-employment benefit obligation	22,453	(131,649)	(15,861)	(125,057)
Tax losses	(1,365,974)	(657,844)	-	(2,023,818)
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,954,470)	(811,812)	(15,861)	(2,782,143)
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred income tax	(1,048,851)	(471,624)	(15,861)	(1,536,336)
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred income tax not recognised	(1,075,795)	(471,624)	-	(1,547,419)
	<hr/>	<hr/>	<hr/>	<hr/>
Final deferred income tax	26,944	-	(15,861)	11,083
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

Year ended 30 June 2020	1 July 2019 Shs'000	Charged to P/L Shs'000	Charged to equity Shs'000	30 June 2020 Shs'000
Deferred income tax liabilities				
Property, plant and equipment:				
- on historical cost basis	468,303	(68,794)	-	399,457
- on revaluation surplus	470,474	(66,794)	-	403,680
Biological assets	102,482	-	-	102,482
	<u>1,041,259</u>	<u>(135,640)</u>	-	<u>905,619</u>
Deferred income tax assets				
Other temporary differences	(584,163)	(26,786)	-	(610,949)
Post-employment benefit obligation	(115,930)	138,383	-	22,453
Tax losses	(1,158,730)	(207,245)	-	(1,365,975)
	<u>(1,858,823)</u>	<u>(95,648)</u>	-	<u>(1,954,471)</u>
Net deferred income tax asset	(817,564)	(231,288)	-	(1,048,851)
Deferred income tax asset not recognised	<u>(844,508)</u>	<u>(231,288)</u>	-	<u>(1,075,795)</u>
Final deferred income tax	26,944	-	-	26,944

26 Trade and other payables

	2021 Shs'000	2020 Shs'000
Trade payables	331,937	393,955
Customer payments in advance	41,342	69,066
Other payables and accrued expenses	5,531,497	4,426,911
	<u>5,904,776</u>	<u>4,889,932</u>

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

Notes (continued)

27 Borrowings	2021 Shs'000	2020 Shs'000
Commodities fund (SDF) loan	499,378	477,321
Government of Kenya (GOK/ODA)	843,309	818,969
Co op bank	853,021	758,978
KCB	9,963	26,549
	2,205,671	2,081,817
i) Maturity analysis		
Non-current		
Commodities fund (SDF) loan	-	-
Co op bank	853,021	758,978
Current		
Commodities fund (SDF) loan	499,378	477,321
KCB	9,963	26,549
Government of Kenya (GOK/ODA)	843,309	818,549
	1,352,650	1,322,839
Total GOK/CF loans	2,205,671	2,081,817
Bank overdraft	-	-
Total borrowings	2,205,671	2,081,817

- Commodities Fund loans of Kshs 499M had fallen due for payment as at 30.06.2021.
- GOK/ODA loans totalling Kshs 843.3M had fallen due for payment as at 30.06.2021.
- Co-op bank loan of Kshs 853M is under a moratorium to end of August 2021. As at the end of the year, a total of Kshs. 31.5M had accumulated in the Escrow account No. 01692204628701 for reduction of additional interest on expiry of the moratorium end of August 2021. The same is disclosed in cash & bank balances note 20.
- KCB loan for Insurance Premium Financing of Kshs 9,963M had fallen due for payment.

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 Shs '000	KCB Shs '000	Total Shs '000
At start of year	818,969	477,321	758,978	26,549	2,081,817
Additions	-	-	-	-	-
Accrued interest	24,340	22,057	94,043	-	140,440
Repayment	-	-	-	(16,586)	(16,586)
Net movement	24,340	22,057	94,043	(16,586)	123,854
At end of year	843,309	499,378	853,021	9,963	2,205,671

Notes (continued)

28 Cash generated from operations	2021 Shs'000	2020 Shs'000
Reconciliation of profit before income tax to cash generated from operations		
Loss before income tax	(1,305,814)	(1,656,308)
Adjustments for:		
Interest income (Note 8)	(379)	(19,471)
Interest expense (Note 10)	142,896	155,657
Loss/(gain) on disposals of property plant & equipment	-	33,557
Changes in biological assets (Note 15)	(11)	(24,940)
Decrease due to harvest	-	-
Depreciation of property, plant and plant (Note 14)	190,975	219,683
Amortisation of intangible assets (note 15)	(262)	(263)
Items expensed from WIP (note 15)	-	-
Grant amortization (Note 24)	(3,569)	(4,330)
Post-employment benefit obligation	32,717	-
Changes in working capital:		
- Inventories	47,063	90,157
- Trade and other receivables	(32,080)	(9,290)
- Outgrowers' balances	30,624	(206,145)
- Trade and other payables	1,014,844	1,480,478
	<hr/>	<hr/>
Cash generated from operations	117,004	58,785
	<hr/>	<hr/>

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:

	2021 Shs'000	2020 Shs'000
Present value of unfunded obligations	385,435	406,293
	<hr/>	<hr/>

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

	2021 Shs'000	2020 Shs'000
At start of year	406,293	386,433
Adjustment on opening balance	(45,532)	-
Net periodic cost	56,965	-
Movement in the year	(85,162)	(4,210)
Remeasurement	52,871	24,070
	<hr/>	<hr/>
Liability in the statement of financial position	385,435	406,293
	<hr/>	<hr/>

Notes (continued)

29 Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	2021	2020
-discount rate	12.75%	12.25%
-inflation	6.50%	5.00%
-salary increases	8.00%	6.50%

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 2020			
Present value of obligation	360,761	364,368	357,153
Percentage changes	-	1.00%	(1.00%)
At 30 June 2021			
Present value of obligation	385,435	389,288	381,580
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

Notes (continued)

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.

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:

	2021 Shs'000	2020 Shs'000
Salaries and other short-term employment benefits	<u>29,219</u>	<u>21,103</u>

ii) Directors' remuneration

Remuneration as management	41	960
Fees and allowances for services as director	-	9,793
	<u>41</u>	<u>10,753</u>

iii) Government of Kenya

During the year, the Government released a total of Kshs 6,340,000 to Sugar Directorate to settle part of the farmers' dues. The payments to farmers were made directly to the individual farmers' accounts through the Sugar Directorate. The Government is yet to give direction on the treatment of these funds in our books.

	2021 Shs'000	2020 Shs'000
Bailout by the Government to settle part of the farmers' dues	<u>6,340</u>	<u>96,004</u>

31 Contingent liabilities

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. The Company also has some open tax items under discussion with the revenue authority. A number of litigation cases regarding burnt over-mature cane which the Company was unable to harvest and traffic accident cases have been lodged at law courts.

Notes (continued)

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

	2021 Shs'000	2020 Shs'000
Farmers' cases	180,000	180,000
Staff cases	-	-
	<u>180,100</u>	<u>180,100</u>

The directors have made accumulative provision in the financial statements amounting to Kshs. 198 million based on legal advice. The Directors do not believe that any significant additional liability will arise from the resolution of these matters.

32 Capital Commitments

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

	2021 Shs'000	2020 Shs'000
Authorized but not contracted	179,767	171,480
Authorized and contracted	90,841	81,613
	<u>270,608</u>	<u>253,093</u>

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor for 2019/2020 accounts, 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	<p>Inaccuracy in cash and bank balances: The financial statements as at 30.06.2019 reflects cash and cash equivalent of Kshs 6228,000. However, the balance excludes cheques amounting to Kshs 7,514,512 which had not been reversed at year end.</p>	<p>Cash and cash equivalent balances are reported as per the bank statement as at 30th June 2019 and the unpresented cheques cleared after year end as demonstrated in the bank statements.</p> <p>It is paramount to note that company acquired and implemented Agriculture Management System (AMS) and System Application Programme (SAP) way back in 2013 to manage applications and processes with capabilities of monitoring operations.</p> <p>The SAP system implemented is a robust with numerous capabilities including automatic bank reconciliations, cash flow management and increased information access and control.</p>	<p>Reconciliation closed in in F/Y 2019/2020</p>
2	<p>Unsupported receivable from Outgrowers: Statement of financial position reflects receivables from Outgrowers balance of Kshs 299,555,000 as at 30.06.2019. Validation of individual balances reveals several unsupported transaction and transactions in the outgrowers files not recorded in the ledger. A provision for impairment totaling Kshs 865,540,000 was made, an indication of management inability to collect the debt.</p>	<ol style="list-style-type: none"> 1. Receivable from Outgrowers- Kshs. 299,555,000. This represents inputs and services rendered to our contracted farmers for cane not harvested at the balance sheet date 2018/2019 2. The out-growers balances arise from the company's provision of farm inputs and agricultural extension services to the out-grower which are recovered from the farmers' accounts on delivery of harvested cane and represents a significant balance in the company's statement of financial position. <p>The detailed listing for receivables from out-growers comprises balances whose recoverability is doubtful. Similar to prior years, the provision is largely determined based on the sugar development recovery cycle such that any balances beyond that cycle are fully provided. Sugar</p>	<p>The recovery of the debt is an ongoing process and is realized when the cane is harvested.</p>

Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
		<p>development recovery cycle is approximately 24 months. Hence, an impairment provision of Kshs 865 million is determined for amounts in excess of the previous 24 months actual spent on sugar development.</p> <p>This represents prudence on the part of management considering the inherent nature of the activities emanating from the contractual engagements with farmers that often lead to non-recoverability of credit offered or receivable amounts, as follows;</p> <p>Failure by farmers to maintain the cane crop to the required agronomic standards:-</p> <p>Losses occasioned through cane fires.</p> <ul style="list-style-type: none"> • Losses resulting from cane destruction by pests e.g. humans and animal pests etc. • Cane delay in fields remaining unharvested beyond the contractual harvest period. • Farmers deliberate diversion of cane to other alternative uses or to competing sugar factories. <p>In light of the above remarks, it is evident that management has prepared the receivable amounts including the provision for impairment losses with reference to IAS 37 and IFRS 9 standards.</p> <p>For unsupported & unrecorded transactions, the listing is yet to be shared by the audit team.</p>	
3.	<p>Unsupported deferred tax: The statement of financial position reflects deferred income tax amounting to Kshs 26,944,000. The management did not provide the support and justification for reporting the deferred tax.</p>	<p>The deferred tax workings relates to deferred tax on post-employment benefits and is fully supported by the workings of the professional experts-Negotiated Benefits Consultants (NBC-Auctuarists). The detailed report covers the workings for two years-2016/2017 and 2017/2018 and disclosed accordingly in the financial statement.</p>	<p>The matter is due for closure based on the available detailed workings.</p>

Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
4.	<p>Material uncertainty in relation to going concern: The company incurred a net loss after tax of Kshs 1,345,564,000 (2018: 2,074,754,000) and had accumulated losses of Kshs 4,666,000 as at 30.06.2019 (2018: 3,308,160,000). Further, the statement of financial position reflects the total current liability of Kshs 5,614,922,000 resulting to a negative working capital of Kshs 4,473,753,000, an indication that the company may be experiencing financial difficulties in settling financial obligations as and when the fall due. The financial statements have therefore been prepared on the going concern basis on the assumption that the company will continue to get financial support from the Government, shareholders and creditors.</p>	<p>Increasing the loss is the bulk of non-cash flow items due to provisions for taxes and others related payables. The numbers are expected to improve with improvement in company efficiency after factory maintenance.. Management has outlined interventions to mitigate the risks as follows:</p> <ol style="list-style-type: none"> 1. The Company is currently operating under austerity budget. 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. Contributing to general under performance for the period under review was lower recoveries arising from operating the plant/factory below capacity. A planned maintenance is scheduled for the following year will tackle the problem and boost efficiency at targeted levels. Successful APM exercise will guarantee continuity as summarised below: <ol style="list-style-type: none"> i. Attainment of the target Factory Time Efficiency of 91.5%, ii. Attainment of the target crashing rate of 125TCH (tons of cane per hour), iii. Improved sugar recovery rate ($\geq 9.3\%$ from current $\leq 3.45\%$), iv. Improved revenue, (\geq KShs. 430 million per month) hence ability to gradually pay off accumulated debts, besides timely settlement of new obligations. v. Reduced sugar import requirements to meet deficit (foreign exchange savings), vi. To boost revenue after maintenance, the Company will increase capacity for branded sugar given that branded sugar is more profitable. 	<p>The recovery is an ongoing process.</p>

Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
		<p>vii. Product diversification of molasses packaging is in plan with a view to help the Company have an additional revenue stream post maintenance.</p> <p>The Board and Management will keep in focus the going concern issues and drastically address the challenges that impact negatively on the business</p>	
5.	Presentation of the annual report and financial statements: The management did not incorporate the statement for comparative budget and actuals amounts in the financial statements.	The statement of comparison of budget and actual expenditure incorporated in pages 68-69 of the audited financial statement.	Matter covered in the statements.
6.	Irregular payment of sitting allowances: The company paid an officer from Inspectorate of State Corporations Kshs 317,600 as allowances for attending board meetings in supervisory capacity. The allowance was contrary to the Attorney General Circular that advised that sitting allowances or other remuneration is only payable to duly appointed chairpersons and members of Board attending a Board meeting.	Payment of allowances to the Inspectorate of State Corporations while attending Board meetings/functions is pegged on letter by Auditor General dated 4th July, 2017 to the Inspector General (Corporations) titled "clarification on the issue of Remuneration of Inspector General attending Board meetings in State Corporations."	The matter is now closed. No further payment.
7.	Long outstanding trade and other payables reflects a total of Kshs 4,007,753,000. This includes accrued expenses amounting to Kshs 3,584,476,000 which includes VAT and PAYE totaling Kshs 1,102,608,624 inclusive of interest and penalties. Non remittance of statutory deductions is a breach of the law which attracts heavy penalties and interests for non-compliance which have not been disclosed in Financial statements.	Serious effort has been devoted to clearing the outstanding VAT through engagements with KRA on challenges the company has been facing following the influx of sugar imports into the market and the performance of the factory due to delayed maintenance. Correspondence with KRA includes requests for moratorium and commitments to stay current post maintenance.	Payment plan in place to address outstanding taxes.
8.	Unpaid borrowings: Financial position reflects borrowing balance of Kshs 1,945,573,000 which includes G.o.K loans and Commodities Fund loan of Kshs 454,834,000 which were due but not paid. The applicable penalties and interests have not been provided for this financial year. Non-payment of loans is	Inability to repay the long outstanding loans is due to serious financial constraint attributed to but not limited to poor state of the plant due to lack of maintenance for the last 5 years. Though interest and penalties are properly accounted for, loans from	Plans are in place for repayment of Co-op bank and KCB loans post factory maintenance.

Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
	a breach of contract agreement which may attract heavy penalties and interest for non-compliance.	Commodities funds and Government of Kenya are earmarked for write-off following a plan for leasing of state owned sugar firms.	
9.	Non-compliance with Law on Ethnic Composition: The company had 86% of employees from members of the dominant ethnic community in the country. Consequently, Management is in breach of the law.	The Company was predominantly staffed from one Ethnic Community prior to the promulgation of the new Constitution. Management has however put in place measures to ensure that the Company reflect the face of Kenya by extending its vacancy advertisements across the ethnic divide and this is evident in the latest recruitments.	

Key projects and investment decisions the entity is planning/implementing

Below are some of the ongoing major projects some of which will be completed during the ongoing factory rehabilitation which commenced on 07.05.2021. The budget for capital expenditure projects is to be funded from internally generated funds and the Government of Kenya.

SR/ NO	ITEM DESCRIPTION	QTY	BUDGET	PURCHASE ORDER AMOUNT	REMARKS
Sugarcane Handling and Milling. (Pre-Mills and Mills)					
1	Upgrade of Hydro-Unloader Capacity from 15t To 20t	2	10,500,000	10,239,863	Equipment supplied on the 7th March 2017, installation in progress to be completed by 31.08.2021
2	Design Supply, Install and Commission Mill 4 Electric Drive Motor	1	7,371,507	7,282,207	Motor delivered awaiting installation and commissioning to be completed by 31.08.2021.
3	Gantry Structure Reinforcement and alignment/ refurbishment	1	9,500,000	10,256,847	Installation in progress to be completed by 31.08.2021.
4	Design, Configure, & Commission Automatic Mill Imbibition Control System	1	11,400,000	3,762,000	Panel and cabling made in February 2018 Installation partially done awaiting testing and commissioning.
5	Design, manufacture, supply & installation of new EOT crane	1	40,000,000	22,852,000	Equipment delivered in July 2018. Installation affected by financial constraint. To be installed during the maintenance of May 2022.
6	Supply, installation and commissioning of chopper leveler C/W motor drive	1	11,000,000	USD 61,985 Kes. 6,384,455 (1USD=103)	Installation in progress to be completed by 31.08.2021.

SR/ NO	ITEM DESCRIPTION	QTY	BUDGET	PURCHASE ORDER AMOUNT	REMARKS
Steam Production (Boilers)					
1	Boiler Re-tubing supply and works as listed		20,000,000		Tubes supplied and installation in progress.
	a) Supply of main bank tubes	2		6,508,441	
	b) Supply of boiler riser, wall and roof tubes	2		USD 85,000 Kes. 8,755,000 (1USD=103)	Materials delivered and installation in progress.

Juice, Sugar Processing and Packaging (Process house) and Product Packaging

1	Automated double effect single entry condensers	1	6,200,000	6,505,215	Equipment delivered and installation in progress to be completed by 31.08.2021
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South Nyanza Sugar Company Limited

2	Manufacture & Supply of a Multi-Deck Sugar Grader	1	9,000,000	USD 52,286.80 Kes. 5,385,540 (1USD=103)	Equipment delivered- To be installed in May 2022 during the next factory maintenance.
3	Mechanical works and Installation & commissioning of a Multi-Deck Sugar Grader	1		2,030,000	To be installed in May 2022 during the next factory maintenance.
4.	Replacement of injection manifold & water vapour supply pipe	1	5,000,000	2,803,488	
				2,777,040	Equipment delivered and installation in progress to be completed by 31.08.2021

