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# SOUTH NYANZA SUGAR COMPANY LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

**AUDITORS:**

**AUDITOR-GENERAL (CORPORATIONS)  
P.O. BOX 49384,  
NAIROBI**

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF  
SOUTH NYANZA SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2000

.....

KENYA NATIONAL ASSEMBLY  
Accession: 10012999

Call No: 657.45 Sony



**SOUTH NYANZA SUGAR COMPANY LIMITED**

**FINANCIAL STATEMENTS AS AT  
30 JUNE 2000**

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# SOUTH NYANZA SUGAR COMPANY LIMITED

## DIRECTORS

|   |                             |
|---|-----------------------------|
| Chairman  | Mr P O Kanindo              |
| Permanent Secretary, Ministry of Finance                                  | Alternate - Mr C S Barasa   |
| Permanent Secretary,<br>Ministry of Agriculture, Research & Development.  | Alternate - Mr A M Gakere   |
| Attorney General  | Alternate - Ms Njeri Mwangi |
| Managing Director,<br>Industrial Development Bank                         | Alternate - Mr T N Makeni   |
| Executive Director,<br>Industrial & Commercial Development<br>Corporation | Alternate - Mr W Shimanyula |
| Commonwealth Development Corporation                                      | Mr K Gatabaki               |
| Chief executive,<br>Kenya Sugar Authority                                 | Mr F Chahonyo               |
| Director  | Mrs M Siparo                |
| Director  | Mr. N Odumo                 |

## Managers

|                              |                     |
|------------------------------|---------------------|
| General Manager              | Mr J Mclean         |
| Factory Manager              | Mr A Otieno         |
| Financial Controller         | Mr P B Ojera        |
| Agriculture Manager          | Mr C Kajangara      |
| Agriculture Services Manager | Mr A A Ogembo       |
| Human Resources Manager      | Mr J O Onyach       |
| Company Secretary            | Dr J O AolI         |
| Management Agents            | Booker Tate Limited |

### **BANKERS**

National Bank Of Kenya Ltd.  
P.O. Box 41862  
Nairobi.

### **AUDITORS**

Auditor-General (Corporations)  
P.O. Box 49384  
Nairobi.

## DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2000

The Directors have pleasure in presenting their report together with the accounts for the year ended 30 June 2000.

### 1 **Principal Activities**

The company is incorporated under the Companies Act ( Cap 486 ) and is involved in the manufacture of mill white sugar.

### 2 **Results for the period**

During the financial year ended 30 June 2000, 598,251 tonnes of cane were crushed yielding 58,901 tonnes of sugar. This compares unfavourably with the previous year's results where cane crushed and sugar produced was 742,609 tonnes and 68,296 tonnes respectively. Cane supplied to the mill were as below:

|                                       | <u>2000</u>    | <u>1999</u>    |
|---------------------------------------|----------------|----------------|
| <b>Nucleus Estate (tonnes)</b>        | <b>93,346</b>  | <b>94,356</b>  |
| <b>Contracted Outgrowers (tonnes)</b> | <b>493,747</b> | <b>603,138</b> |
| <b>Non - contracted (tonnes)</b>      | <b>11,158</b>  | <b>45,115</b>  |

Sugar production was below budget by 12,200 tonnes (Budget 71,101).

The average rendement for the year, that is, the rate of sugar recovery per tonne of cane crushed was 9.87% against a budget of 9.70%.

A total of 60,889 tonnes of sugar was sold (1999 - 72,350 tonnes)

### 3. **Profitability**

The accounts herewith reflect a loss of KShs. 239,921,198.

The main contributing factors were:

(i) Lower than budgeted sugar recovery.

(ii) High financing charges due to prohibitive bank interest rates on overdraft during the period and accumulated interest on existing loans.

(iii) The company also suffered from unfavourable realised and unrealised foreign exchange losses on its off-shore financial commitments.

### 4. **Dividends**

In view of the accumulated losses and adverse current year results the Directors do not recommend any dividend.

### 5. **Directors**

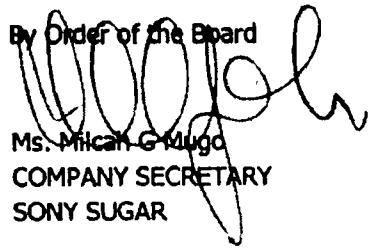
The Directors of the company are as stated on page 1 of this report.

The Directors and alternates continue in office in accordance with the provisions of the Articles of Association of the Company.

### 6. **Auditors**

The Auditor General ( Corporations ) continue as the Company's external auditors in accordance with Section 29(1) Exchequer and Audit ( Amendment Act 1985.)

By Order of the Board

  
Ms. Milcah G. Mugo  
COMPANY SECRETARY  
SONY SUGAR

**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON  
THE ACCOUNTS OF SOUTH NYANZA SUGAR COMPANY  
LIMITED FOR THE YEAR ENDED JUNE 2000**

I have examined the Accounts of South Nyanza Sugar Company Limited for the year ended 30 June 2000 in accordance with Section 29(2) of the Exchequer and Audit Act (Cap 412) I have obtained all the information and explanations required for the purpose of the audit. Proper books of account have been kept and the Accounts, which have been prepared under the historical cost convention, are in agreement thereon and comply with the Companies Act (Cap 486).

In my opinion, and subject to the matters set out herebelow, the Accounts, when read together with the Notes thereon, present fairly the financial state of affairs of the Company as at 30 June 2000 and of its loss and cashflows for the year then ended.

1. **FINANCIAL POSITION**

During the year 1999/2000, the Company incurred a loss of Kshs. 239,921,198 which brought its accumulated losses to Kshs. 845,658,547 as at 30 June 2000. In addition, the Company's Balance Sheet as at 30 June 2000 reflects negative working capital of Kshs. 740,942,293 as of the same date while the Company was also unable to service due long term loans and accrued interest thereof of Kshs. 203,747,429 and Kshs. 287,756,398 respectively or even settle statutory deductions amounting to Kshs. 213,873,071 as at the same date. Evidently, therefore, the Company is technically insolvent and its continued operation as a going concern is dependent on the support of Government, creditors and lenders.

2. **PURCHASE OF PABX MACHINE**

The Company procured a PABX machine, in July 1999 at a cost of Kshs. 5,212,170, against which kshs. 4,690,953 was paid, leaving a balance of Kshs. 521,217. To date the equipment has, however, not been commissioned for use mainly due to a legal problem between the supplier and a rival company and also due to technical problems regarding the compatibility of handsets, guarantees protection against listening power, back up service and maintenance contract.

In the meantime the machine has been lying idle for more than two years, a situation which may, if continued, render it eventually unusable. There is no indication as to when these problems will be resolved to facilitate the commissioning of the equipment for use by the Company.

### 3. REPAIR OF MACHINERIES

During the year 1999/2000 the Company repaired grader registration No. KAB 162B at a cost of Kshs. 9,486,272 as well as reconditioned Track chains rollers for caterpillar tractor No. KUE 635 for Kshs. 1,003,030. The Company also repaired engine block for Aveling Barford T.G 2616 at a cost of Kshs. 417,330, all done by the same firm and through single sourcing. Records of the Company further show that JCB 425 loader which had been repaired at a cost of Kshs. 1,181,981 in February 2000 was not in working condition when audit review was carried out in June 2001. The Company has not explained its failure to follow proper procurement procedures or even given any indication as to why the very considerable expenditure of Kshs. 1,181,981 was incurred to repair a loader which was not put back to service after the repairs.

### 4. TECHNICAL MANAGEMENT AGREEMENT

During the year under review the Company invited bids for technical management services to take over from the then technical management agents whose contract was due to end in December 1999. Bids were, therefore, received from eight (8) firms for both technical and financial proposals after which the Company appointed eight engineering consultants to evaluate, rank and score technical proposals at a fee of Kshs. 931,000 each or for a total of Kshs. 7,448,000 for the evaluation. On 2 June 1999, the Company again engaged and paid other eight consultants a total of Kshs. 2,160,000 for evaluating the financial proposals submitted by the eight bidders. In both cases, the fees appear to have been negotiated by the Board, thus defeating the objectives of competitive procurement of goods and services. The Company has also not given satisfactory explanation as to why it engaged eight engineering and financial consultants at a total cost of Kshs. 9,608,000 without following proper procurement procedures and as a result it was not possible to confirm that the Company received value for money when the above total expenditure of Kshs. 9,608,000 was incurred.

## 5. UNRESOLVED INSURANCE CLAIMS – CANE STACKER

On 22 February 2000 the Company's cane stacker, registration No. KAH 316F, with a book value of Kshs. 16,740,000, was burnt down in an accident. Thereafter the value of Cane Stacker was assessed at Kshs. 9,938,000 for the purpose of the insurance claim. In August 2000 a Credit note for the same amount was issued by the underwriter for full and final settlement of the insurance claim but after a compulsory deduction was made of an excess of Kshs. 1,590,300 as required under the insurance policy. Although it is understood that the Company rejected the credit note as a means of settling the insurance claim the claim is, however, still outstanding against the policy underwriters, more than two years after the accident occurred.

## 6. FORD TRACTOR KAJ 386S

In May 2000 the Company's tractor registration No. KAJ 386S was also involved in an accident and the matter was subsequently reported to the Insurance Brokers and also to the Insurance underwriter on 13 June 2000. The Underwriter, however, repudiated liability, reportedly on the basis that the tractor was not insured at the time of the accident. The denial was made after repairs had been done at CMC Nakuru at a cost of Kshs. 340,000. Records show that the Insurance Brokers may not have remitted the premium in full to the underwriter and had in fact not remitted premiums amounting to Kshs. 8,294,430 to the Underwriter against outstanding claims of Kshs. 24,315,334. It is not clear how the company will be compensated for this loss, particularly when the Broker is no longer dealing with the Company.

## 7. ROTARY MUD VACUUM FILTER

In another case, a Rotary Vacuum mud filter purchased in 1995, at £72,647.84 or approximately Kshs. 5,244,323, which together with duties and VAT brought the total value to Kshs. 9,486,006, was damaged while in transit from Mombasa to the Company through Nairobi. The Company thereafter lodged a claim and got a compensation of Kshs. 4,819,608, leaving a balance of Kshs. 4,241,683 in respect of duty and VAT.

The equipment, whose insurance salvage value is Kshs. 367,879, has not been retrieved from M/S Express Kenya where it was stored by the Clearing Agent after the damage and where it attract storage charges against which the Company has already settled an amount of Kshs. 44,313.

8. **CANE SUPPLIES-OUTGROWERS KSHS. 465,691,528.60**

Included in Trade Creditors balance of Kshs. 615,272,077 as at 30 June 2000 is Kshs. 465,691,528, being outstanding farmers payments as of the same date. The correctness of this balance could not, however, be verified and confirmed due to lack of information as the current software program was reportedly unable to produce required information such as farmers balances, computation of accrued interest and accurate farmers plot details. Although the Company was reportedly forced to use computer equipment belonging to Mumias Sugar Company Limited to produce the Outgrowers Ledger, no such ledger has been seen. Records also reveal that some services were rendered to outgrowers before signing contract agreement documents while contracted developers were paid for services before job completion certificates were signed or received from the field to confirm work done. In the absence of the up to date records for outgrowers, it has not been possible to confirm the individual farmer's balance reflected on the Company's Balance Sheet as at 30 June 2000.

9. **ADVANCES TO A CANE TRANSPORTER**

In 1997/98 the Company advanced a cane transport company, Kshs. 2,500,000 on the strength of cane proceeds repayable within sixty (60) days at an interest rate of 34% per annum. The loan was, however, instead recovered in two years, contrary to the contract agreement and without charging compound interest. In addition and according to the Cane census Report for that period the farms were fallow, absconded and some with relatively young cane at harvest time. The Transport Company was given a further advance of kshs. 1,000,000 against cane deliveries while it already had an outstanding debit of Kshs. 1,564,687 on the transport account.

Records further show that the Transporter was involved in falsification of cane delivery documents and as a result was fraudulently paid over Kshs. 5,000,000. Although criminal cases have been filed against the proprietor of the transport firm, the recovery of the outstanding debt of Kshs. 2,564,687 and Kshs. 5,000,000 in relation to fraudulent payment is doubtful as the said farmer has reportedly since died.

  
S. M. MALUKI  
**AUDITOR GENERAL (CORPORATIONS)**

07 August 2002

**SOUTH NYANZA SUGAR COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2000**

|                                 | <b><u>NOTE</u></b> | <b><u>2000</u></b><br><b><u>KShs</u></b> | <b><u>1999</u></b><br><b><u>KShs</u></b> |
|---------------------------------|--------------------|--|--|
| <b>Turnover</b>                 |                    | 1,929,486,168                            | 2,220,671,957                            |
| Profit/( Loss ) before taxation | 19                 | (239,921,198)                            | (239,970,179)                            |
| Taxation for the Year           |                    |  |  |
| Profit/ ( Loss) after taxation  |                    | <u>(239,921,198)</u>                     | <u>(239,970,179)</u>                     |
| Profit/(Loss) brought forward   | 13                 | (605,737,349)                            | (365,958,261)                            |
| Profit/(Loss) Carried forward   |                    | <b><u>(845,658,547)</u></b>              | <b><u>(605,928,440)</u></b>              |

**SOUTH NYANZA SUGAR COMPANY LIMITED**

**BALANCE SHEET AS AT 30 JUNE 2000**

|                                    | Note | 2000<br>KShs         | 1999<br>KShs       |
|------------------------------------|------|----------------------|--------------------|
| <b>FIXED ASSETS</b>                | 2    | 2,436,849,114        | 868,254,008        |
| <b>CAPITAL WORK IN PROGRESS</b>    | 3    | 36,880,000           | 38,142,815         |
|                                    |      | <b>2,473,729,114</b> | <b>906,396,823</b> |
| <b>CURRENT ASSETS</b>              |      |                      |                    |
| Standing cane crop                 | 4    | 63,048,373           | 88,218,541         |
| Stocks / stores & sugar in process | 5    | 498,965,594          | 488,991,870        |
| Goods in transit                   |      | 26,058,101           | 61,772,432         |
| Outgrowers services                | 6    | 265,102,207          | 231,685,149        |
| Debtors & prepayment               | 7    | 162,354,588          | 87,027,257         |
| Cash and bank balances             | 8    | 1,787,971            | 17,788,109         |
|                                    |      | <b>1,017,316,835</b> | <b>975,483,358</b> |
| <b>CURRENT LIABILITIES</b>         |      |                      |                    |
| Creditors and accruals             | 9    | 1,545,931,854        | 1,414,396,188      |
| Bank overdrafts                    | 10   | 212,327,274          | 86,856,046         |
|                                    |      | 1,758,259,128        | 1,501,252,234      |
| <b>NET CURRENT ASSETS</b>          |      | (740,942,293)        | (525,768,876)      |
| <b>TOTAL ASSETS</b>                |      | <b>1,732,786,821</b> | <b>380,627,948</b> |
| <b>FINANCED BY:</b>                |      |                      |                    |
| Share Capital                      | 11   | 353,969,675          | 353,969,675        |
| Capital reserve                    | 12   | 1,756,198,927        | 186,682,560        |
| Revenue reserve                    | 13   | (845,658,547)        | (605,928,440)      |
| Shareholder's funds                |      | 1,264,510,055        | (65,276,204)       |
| Long term loans                    | 14   | 468,276,766          | 445,904,152        |
|                                    |      | <b>1,732,786,821</b> | <b>380,627,948</b> |

Chairman P Wambura

Director A M Gakere

Notes in page 8 to 16 form part of these accounts

**SOUTH NYANZA SUGAR COMPANY LIMITED**

**CASHFLOW STATEMENT FOR PERIOD ENDED 30.06.00**

|   | 2000                 | 1999                 |
|---|----------------------|----------------------|
| <b>A: CASHFLOW FROM OPERATING ACTIVITIES</b>                              |                      |                      |
| Net loss before taxation & provision for stock obsolescence               | (239,921,198)        | (239,779,088)        |
| <b>Adjustments for items not involving movement of cash:</b>              |                      |                      |
| Depreciation  | 99,777,638           | 98,004,551           |
| Forex (gains)/ loss   | 9,756,944            | 30,585,648           |
| Interest Income   | (40,017,989)         | (36,843,287)         |
| Interest expenses ( loans )   | 70,247,601           | 91,973,689           |
| Gain on Disposal of assets  | (483,232)            | (235,110)            |
| Prior year adjustment   | 191,091              | 1,580,521            |
| <b>Operating profit before working capital changes</b>                    | <b>(100,449,145)</b> | <b>(54,713,076)</b>  |
| (Increase)/Decrease in standing cane                                      | 25,170,168           | 15,442,014           |
| (Increase)/Decrease in stocks   | (9,973,724)          | 61,184,478           |
| (Increase)/Decrease in Goods In Transit                                   | 35,714,331           | (1,420,269)          |
| (Increase)/Decrease in debtors  | (75,327,331)         | 1,579,454            |
| (Increase)/Decrease in outgrowers   | (33,417,059)         | 1,839,756            |
| Increase/(Decrease) in creditors  | 131,535,666          | 357,478,166          |
| <b>Net Cashflow from operating activities</b>                             | <b>(26,747,094)</b>  | <b>381,390,523</b>   |
| <b>B: RETURNS ON INVESTMENT &amp; SERVICING OF FINANCE</b>                |                      |                      |
| Interest Received   | 39,546,643           | 36,937,226           |
| Interest Paid   | (46,142,295)         | (103,447,470)        |
| Dividends Paid  | -                    | -                    |
| Foreign exchange Loss (realised)  | (5,443,544)          | (4,291,248)          |
| <b>Net cashflow from returns on investment &amp; servicing of finance</b> | <b>(12,039,196)</b>  | <b>(70,801,492)</b>  |
| <b>C: CASHFLOW FROM INVESTING ACTIVITIES:</b>                             |                      |                      |
| Proceeds from sale of fixed assets  | 1,811,576            | 235,110              |
| Purchase of fixed assets  | (147,441,524)        | (68,355,187)         |
| <b>Net Cashflow from investing activities</b>                             | <b>(145,629,948)</b> | <b>(68,120,077)</b>  |
| <b>D: CASHFLOW FROM FINANCING ACTIVITIES:</b>                             |                      |                      |
| Proceeds from long-term borrowing   | 125,800,000          | 10,000,000           |
| Loan Repayments   | (82,855,128)         | (115,562,477)        |
| <b>Net cashflow from investing activities</b>                             | <b>42,944,872</b>    | <b>(105,562,477)</b> |
| <b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>              | <b>(141,471,366)</b> | <b>136,906,477</b>   |
| Cash and cash equivalents at begining of period                           | (69,067,937)         | (205,974,414)        |
| <b>CASH AND CASH EQUIVALENT AT END OF PERIOD</b>                          | <b>(210,539,303)</b> | <b>(69,067,937)</b>  |

## NOTES TO THE ACCOUNTS FOR YEAR TO 30 JUNE 2000

### 1. ACCOUNTING POLICIES:

#### **Basis of Accounting**

The accounts are prepared on the historical cost convention and modified to allow for revaluation of assets

#### **Stocks and Stores**

Stocks of finished products are stated at the lower of cost and net realised value. Cost comprises direct materials and labour, together with the relevant production overheads. Stores inventory are valued at weighted average cost

#### **Translation of Foreign Currencies**

Foreign currency balances are translated at the mean rate of exchange ruling at the balance sheet date. Foreign exchange transactions during the year have been brought into the accounts at their actual cost in local currency. Any losses or gains from foreign transactions is transferred to profit and loss account.

#### **Depreciation Rates**

Fixed assets are depreciated at rates calculated to write off the assets during their economic useful life using the straight line method.

The current rates are

|                           |     |
|---------------------------|-----|
| Motor cycle               | 50% |
| Land development / roads  | 2%  |
| Buildings                 | 4%  |
| Factory plant & machinery | 6%  |
| Tractors & trailers       | 15% |
| Motor vehicles            | 20% |
| Heavy trucks              | 20% |
| Furn & Equipment          | 10% |
| Temporary buildings       | 10% |

No depreciation has been provided on land and capital work in progress. The company did a revaluation of the assets during the year. The resultant revaluation surplus transferred to capital reserves.

#### **Turnover**

Represents sales to customers and excludes Value Added Tax and Kenya Sugar Development Levy

#### **Cost of Growing Cane**

This is valued at the direct cost of growing cane not harvested at the balance sheet date

**SOUTH NYANZA SUGAR COMPANY LTD.**

**SCHEDULE OF FIXED ASSETS AS AT 30TH JUNE, 2000**

**Notes 2**

|                              | LAND        | BUILDINGS     | PLANT & MACH  | TRAILERS & TRACTORS | MOTOR VEHICLES | OFFICE & OTHER EQUIP. | LAND DEVELOPMENT | ROADS & FENCING | TOTAL         |
|------------------------------|-------------|---------------|---------------|---------------------|----------------|-----------------------|------------------|-----------------|---------------|
| <b><u>COST</u></b>           |             |               |               |                     |                |                       |                  |                 |               |
| As at 1st July 1999          | 84,519      | 324,833,524   | 779,545,306   | 203,958,546         | 124,061,129    | 90,047,727            | 38,845,653       | 48,284,752      | 1,609,661,156 |
| Revaluation                  | 300,854,481 | 442,881,254   | 896,113,314   | (4,369,412)         | 52,495,558     | (81,916,965)          | (34,065,645)     | (2,476,218)     | 1,569,516,367 |
| Additions                    | -           | 1,710         | 22,165,122    | 40,425,000          | 2,077,573      | 35,906,815            | -                | -               | 100,576,221   |
| Disposals                    | -           | -             | -             | (7,765,720)         | (5,957,880)    | -                     | -                | -               | (13,723,600)  |
| As at 30th June 2000         | 300,939,000 | 767,716,488   | 1,697,823,742 | 232,248,413         | 172,676,381    | 44,037,577            | 4,780,008        | 45,808,534      | 3,266,030,143 |
| <b><u>DEPRECIATION</u></b>   |             |               |               |                     |                |                       |                  |                 |               |
| As at 1st July 1999          | -           | (120,714,698) | (348,575,111) | (133,712,493)       | (99,569,255)   | (28,277,337)          | (4,006,193)      | (6,843,561)     | (741,698,648) |
| Charge for the year          | -           | (12,775,690)  | (51,554,531)  | (20,567,973)        | (9,399,567)    | (3,741,090)           | (773,815)        | (964,973)       | (99,777,638)  |
| Disposals                    | -           | -             | -             | 6,694,552           | 5,600,704      | -                     | -                | -               | 12,295,256    |
| As at 30th June 2000         | -           | (133,490,388) | (400,129,642) | (147,585,913)       | 103,368,117    | (32,018,427)          | (4,780,008)      | (7,808,534)     | (829,181,030) |
| <b><u>NET BOOK VALUE</u></b> |             |               |               |                     |                |                       |                  |                 |               |
| As at 30th June 2000         | 300,939,000 | 634,226,100   | 1,297,694,100 | 84,662,500          | 69,308,263     | 12,019,150            | 0                | 38,000,000      | 2,436,849,114 |
| As at 30th June 1999         | 84,519      | 204,281,925   | 431,098,596   | 70,246,052          | 24,491,875     | 61,770,389            | 35,027,521       | 41,253,130      | 868,254,007   |

### 3. Capital Work in Progress

| Description            | Ksh. 2000                | Ksh. 1999                |
|------------------------|--------------------------|--------------------------|
| Pumps & Fans           | 550,106                  | 0                        |
| Land development       | 1,020,193                | 0                        |
| Factory building       | 0                        | 833,324                  |
| Complex primary school | 1,723,323                | 266,243                  |
| Factory rehabilitation | 4,916,838                | 0                        |
| Agronomy               | 495,480                  | 82,282                   |
| Workshop Equipment     | 958,604                  | 0                        |
| Roads rehabilitation   | 87,452                   | 0                        |
| Agric. w/shop          | 1,031,568                | 0                        |
| Roads & Fencing        | 703,808                  | 0                        |
| Agric Offices          | 31,845                   | 0                        |
| Boiler Tubing          | 0                        | 21,103,622               |
| IT Project             | 25,294,465               | 15,857,345               |
| Paying booths          | 66,318                   | 0                        |
|                        | <b><u>36,880,000</u></b> | <b><u>38,142,815</u></b> |

### 4 Standing Cane Crop

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

|                   | <u>Kshs. 2000</u>        | <u>Kshs. 1999</u>        |
|-------------------|--------------------------|--------------------------|
| Opening valuation | 88,218,541               | 103,660,555              |
| Add Costs         | <u>75,977,839</u>        | <u>50,871,444</u>        |
|                   | 164,196,380              | 154,531,999              |
| Less Harvested    | <u>-101,148,007</u>      | <u>-66,313,458</u>       |
| Closing Valuation | <b><u>63,048,373</u></b> | <b><u>88,218,541</u></b> |

### 5. Stocks Stores and Sugar in Process

|                  | <u>Kshs. 2000</u>         | <u>Kshs. 1999</u>         |
|------------------|---------------------------|---------------------------|
| Finished sugar   | 4,956,035                 | 57,936,044                |
| Sugar in process | 5,160,731                 | 2,596,805                 |
| Stores           | <u>488,848,828</u>        | <u>428,459,021</u>        |
|                  | <b><u>498,965,594</u></b> | <b><u>488,991,870</u></b> |

### 6. Outgrowers Services K Shs 265,102,208

This represents the inputs and service charges rendered to our contracted cane farmers for the cane not harvested at the Balance Sheet date. These include interest receivable by the company amounting to K Shs. 167,397,346 which is recoverable from farmers at the time of payment for cane supplied.

|                              | <u>K Sh. 2000</u>         | <u>KShs. 1999</u>         |
|------------------------------|---------------------------|---------------------------|
| Soc land Development         | -2,570,081                | 0                         |
| Accounts receivable          | 148,193,595               | 152,906,456               |
| Accounts receivable-suspence | 906,979                   | 906,979                   |
| Interest receivable          | 167,397,346               | 126,697,346               |
| Provision for doubtful debts | <u>-48,825,632</u>        | <u>-48,825,632</u>        |
|                              | <b><u>265,102,207</u></b> | <b><u>231,685,149</u></b> |

## 7. Debtors and Prepayments

|                                 | <u>KShs. 2000</u>         | <u>KShs.1999</u>         |
|---------------------------------|---------------------------|--------------------------|
| Trade Debtors                   | 81,656,230                | 22,920,893               |
| Other Debtors                   | <u>137,570,491</u>        | <u>120,978,496</u>       |
|                                 | <u>219,226,721</u>        | <u>143,899,389</u>       |
| Less : Prov. for doubtful debts | <u>-56,872,132</u>        | <u>-56,872,132</u>       |
|                                 | <b><u>162,354,588</u></b> | <b><u>87,027,257</u></b> |

## 8. Cash and Bank balances

|                               | <u>KShs. 2000</u>       | <u>Kshs. 1999</u>        |
|-------------------------------|-------------------------|--------------------------|
| Awendo petty cash             | 441,292                 | 679,063                  |
| Nairobi petty cash            | 149,992                 | 49,564                   |
| NBK Kisii                     | 0                       | 0                        |
| NBK Harambee Foreign Currency | 696,687                 | 581,340                  |
|                               |                         |                          |
| NBK Awendo                    | 0                       | 15,978,144               |
| KCB Migori Branch Deposit     | 500,000                 | 500,000                  |
| NBK Harambee Avenue           | 0                       | 0                        |
|                               | <b><u>1,787,971</u></b> | <b><u>17,788,109</u></b> |

## 9. Creditors and Accruals

|                           | <u>KShs. 2000</u>    | <u>KSh. 1999</u>     |
|---------------------------|----------------------|----------------------|
| Trade Creditors           | 615,272,077          | 518,337,327          |
| Non Trade creditors       |                      |                      |
| LOANS                     |                      |                      |
| Current maturity loans    | 203,747,429          | 196,227,429          |
| Accrued loans interest    | <u>287,756,398</u>   | <u>254,028,065</u>   |
| Sub-total                 | 491,503,827          | 450,255,494          |
|                           |                      |                      |
| Other non trade creditors | <u>439,155,950</u>   | <u>445,803,367</u>   |
|                           | <u>1,545,931,854</u> | <u>1,414,396,188</u> |

## 10. Bank Overdraft

|                            | <u>KShs. 2000</u>         | <u>KShs. 1999</u>         |
|----------------------------|---------------------------|---------------------------|
| N B K. Kisii               | 5,544,342                 | 7,198,689                 |
| N B K. Awendo              | 120,506,887               | 0                         |
| N B K. Harambee Avenue     | 86,276,045                | 79,657,357                |
|                            | <b><u>212,327,274</u></b> | <b><u>86,856,046</u></b>  |
| Authorised Overdraft Limit | <b><u>170,000,000</u></b> | <b><u>170,000,000</u></b> |

## 11. Share Capital

Due to capital restructuring undertaken as at 30/06/87, the Government and other shareholders agreed to have their equity holding in the company reduced in order to absorb accumulated losses

|  | <u>KShs. 2000</u>  | <u>KShs.1999</u>   |
|--|--------------------|--------------------|
| <b>I) Authorised</b>                                 |                    |                    |
| 18,000,000 Ordinary Shares<br>of KShs 20/- each      | <u>360,000,000</u> | <u>360,000,000</u> |
| <b>II) Issued and fully paid</b>                     |                    |                    |
| 17,698,484 Ordinary Shares<br>of K Shs 20/- each     | <u>353,969,675</u> | <u>353,969,675</u> |
| <b>III) Composition of Shareholding</b>              |                    |                    |
| Government of Kenya                                  | 349,719,675        | 349,719,675        |
| Industrial and Commercial<br>Development Corporation | 2,500,000          | 2,500,000          |
| Industrial Development Bank                          | 1,000,000          | 1,000,000          |
| Mehta Group International                            | <u>750,000</u>     | <u>750,000</u>     |
|  | <u>353,969,675</u> | <u>353,969,675</u> |

## 12. Capital Reserve

|                             |               |             |
|-----------------------------|---------------|-------------|
| The capital reserve balance | 1,726,830,736 | 186,682,260 |
|-----------------------------|---------------|-------------|

## 13. STATEMENT OF REVENUE RESERVES

|   | <u>K Shs. 2000</u>   | <u>K Shs. 1999</u>   |
|---|----------------------|----------------------|
| Retained Profits/(Loss)for the Year               | (239,921,198)        | (239,970,179)        |
| Retained Reserves at the<br>begining of the year: |                      |                      |
| As Previously Reported                            | (605,928,440)        | (367,538,782)        |
| Prior Year Adjustment                             | 191,091              | 1,580,521            |
| As Restated                                       | <u>(605,737,349)</u> | <u>(365,958,261)</u> |
| Retained profit/(loss)at year end                 | <u>(845,658,547)</u> | <u>(605,928,440)</u> |

#### 14. Long Term Loans

The company is substantially financed by way of long term loans. As at 30 June 2000, the balances stood as follows :

|                             | <b>Current<br/>2000<br/><u>KShs.</u></b> | <b>LongTerm<br/>2000<br/><u>KShs.</u></b> | <b>Current<br/>1999<br/><u>KShs.</u></b> | <b>Long term<br/>1999<br/><u>KShs.</u></b> |
|-----------------------------|--|---|--|--|
| i) Government of Kenya      | 63,920,000                               | -   | 56,400,000                               | 7,520,000                                  |
| ii) NBK Debenture           |  | 42,500,000                                |  | 63,750,000                                 |
| iii) GOK / ODA              | 139,827,429                              | -   | 139,827,429                              | -  |
| iv) Commonwealth Dev. Corp. |  | 144,202,866                               |  | 195,845,252                                |
| v) KSA (SDF)                |  | 281,573,900                               |  | 178,788,900                                |
|                             | <b><u>203,747,429</u></b>                | <b><u>468,276,766</u></b>                 | <b><u>196,227,429</u></b>                | <b><u>445,904,152</u></b>                  |

## Explanatory Notes

- i) These are five (5) Kenya Government Loans originally amounting to K Shs 75,200,000. As at 30-06-00 part of these loans to the tune of K Shs 63,920,000 had matured but not paid to the government and were periodically transferred to short term liability account thus leaving a nil balance as long terms loans. Interest is payable at 11% pa with varying repayment schedule for each loan.
- ii) National Bank of Kenya debenture loan balance as at 30.6.00 amounts to K Shs 42,500,000. The interest rate is variable and as at 30-06-00 was 27%. This loan is payable over a four year period.
- iii) The GOK / ODA loan of K Shs 139,827,429 constituted the value of capital equipment financed and imported through ODA for the rehabilitation programme. The ODA funding is a grant to the Kenya Government which is on lent to the Company at an interest rate of 12% per annum. Repayment is over a period of 7 years commencing 1st September 1993.

As at 30/06/00 the above amount of K Shs 139,827,429 had become due and payable to the Kenya Government thus leaving a nil balance under long term loans.

- iv) Commonwealth Development Corporation (CDC) loan is for UK Pound 1,218,750. which is equivalent to K Shs 144,202,865 as at 30-06-2000. Of this amount, K Shs 126,284,980 has been provided for as foreign exchange loss. Interest is at 8% with repayment over 8 years commencing 31<sup>st</sup> March 1995. During the year two instalments were paid. The exchange rate of Kenya shilling to Sterling pound depreciated from K Shs 114.7811 as at 30 June 1999 to K Shs 118.3203 to the Sterling pound at 30 June 2000.
- v) The Kenya Sugar Authority loan from the SDF amounting to K Shs 281,573,900 is at varring interest rates. Out of the above amount K Shs 86,100,000 was received during the year. The loan is to provide working capital for the development of land for outgrowers and capital purchases. These are to be repaid after two years duration.

## 15. Profit/Loss before Taxation

|                                  | <u>K Shs. 2000</u> | <u>K Shs. 1999</u> |
|----------------------------------|--------------------|--------------------|
| This is stated after charging:   |                    |                    |
| - Depreciation                   | 99,777,638         | 98,004,551         |
| - Foreign Exchange loss          | 9,756,944          | 30,585,645         |
| - Interest on loans              | 72,850,515         | 91,973,689         |
| - Consultancy and legal expenses | 72,455,562         | 98,983,945         |
| - Audit fees                     | 1,241,690          | 520,000            |
| - Donations                      | 328,540            | 3,101,350          |
| - Directors expenses             | 9,838,395          | 10,046,749         |
| And after crediting:             |                    |                    |
| - Interest from outgrowers       | 39,983,523         | 35,747,571         |
| - Interest from deposits         | 34,466             | 59,484             |
| - Sundry income                  | 10,465,100         | 13,163,932         |

## **16. Financial position**

The operating results for the period again reflects an adverse situation similar to last year's. This was mainly attributable to lower sales volume and shortfall in cane crushed and sugar produced.

The liquidity ratio (the ratio of current assets to current liabilities) still reflects negative working capital due to the maturity of the long term loans. The company is still heavily geared.

## **17. Contingent liabilities**

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 the law courts. It is uncertain to quantify the outcome.

**19 TRADING PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2000**

|  | <b>2000</b>                     | <b>1999</b>                     |
|--|---------------------------------|---------------------------------|
| <b>SALES</b>                                 | <b><u>KShs</u></b>              | <b><u>KShs</u></b>              |
| Gross Sugar Sales                            | 2,336,363,140                   | 2,624,093,267                   |
| Less : VAT                                   | (288,625,527)                   | (266,556,624)                   |
| SDF Levy                                     | (133,964,143)                   | (154,231,369)                   |
| <br>Net Sales                                | <br><b>1,913,773,470</b>        | <br><b>2,203,305,274</b>        |
| Molasses sales                               | <u>15,712,698</u>               | <u>17,366,683</u>               |
| Turnover                                     | <b>1,929,486,168</b>            | <b>2,220,671,957</b>            |
| Other income                                 | 9,981,867                       | 11,922,563                      |
| Increase/(decrease) in sugar stocks          | (50,416,083)                    | (101,199,714)                   |
| <br><b>TOTAL INCOME</b>                      | <br><b><u>1,889,051,952</u></b> | <br><b><u>2,131,394,806</u></b> |
| <br><b>Less: Operating Costs</b>             |                                 |                                 |
| Cost of Cane                                 | 969,509,068                     | 1,241,490,915                   |
| Agriculture Overheads                        | 150,229,966                     | 172,839,011                     |
| Factory Costs                                | 549,008,759                     | 415,020,543                     |
| Administration Departments Costs             | <u>375,514,053</u>              | <u>390,281,362</u>              |
| <b>Total Operating Costs - sched. A</b>      | <b><u>2,044,261,846</u></b>     | <b><u>2,219,631,831</u></b>     |
| <br><b>Trading Profit / (Loss)</b>           | <br><b>(155,209,894)</b>        | <br><b>(88,237,025)</b>         |
| Add/(Less) Loan Interest                     | (72,850,515)                    | (91,973,690)                    |
| Bank Overdraft Int/Charges                   | (42,605,066)                    | (66,222,240)                    |
| Interest Received                            | 40,017,989                      | 36,813,314                      |
| Forex Gain/(Loss)                            | (9,756,944)                     | (30,585,648)                    |
| Profit/(Loss) on disposal<br>of Fixed Assets | 483,232                         | 235,110                         |
| <br><b>NET PROFIT/(LOSS)</b>                 | <br><b><u>(239,921,198)</u></b> | <br><b><u>(239,970,179)</u></b> |

**SOUTH NYANZA SUGAR COMPANY LIMITED**

**SCHEDULE "A"**

**1999 / 2000 FINANCIAL YEAR**

| S/NO | CLASSES OF EXPENSES               | 1999/2000<br>KSHS    | 1998/99<br>KSHS      | VARIANCE<br>KSHS   | VAR.<br>% |
|------|-----------------------------------|----------------------|----------------------|--------------------|-----------|
| 1    | Cane Purchases - Outgrowers       | 854,181,864          | 1,043,453,220        | 189,271,356        | 18        |
| 2    | Cane Purchases - N/Estate         | 95,560,345           | 64,529,519           | (31,030,826)       | (48)      |
| 3    | Cane Purchases - NCC              | 19,766,859           | 78,048,656           | 58,281,797         | 75        |
| 4    | Chemicals, stores and spares      | 334,877,445          | 339,724,577          | 4,847,131          | 9         |
| 5    | Transport (hired)                 | 181,427,008          | 178,248,232          | (3,178,777)        | (2)       |
| 6    | Hire of other equipment           | 25,269,456           | 661,286              | (24,608,170)       | (3,721)   |
| 7    | Salaries and wages                | 529,367,258          | 468,404,234          | (60,963,024)       | (13)      |
| 8    | Staff welfare expenses            | 20,667,797           | 20,872,658           | 204,861            | 1         |
| 9    | Repairs and maintenance           | 44,305,245           | 18,988,059           | (25,317,186)       | (133)     |
| 10   | Depreciation                      | 99,777,638           | 98,004,551           | (1,773,087)        | (2)       |
| 11   | Insurance                         | 31,636,267           | 41,476,000           | 9,839,733          | 24        |
| 12   | Management fees and Commissions   | 37,920,835           | 51,202,059           | 13,281,224         | 26        |
| 13   | Consultancy and Legal fees        | 34,534,727           | 47,781,886           | 13,247,159         | 28        |
| 14   | Audit fees                        | 1,241,690            | 520,000              | (721,690)          | (139)     |
| 15   | Inland travel expenses            | 16,665,244           | 14,112,793           | (2,552,451)        | (18)      |
| 16   | Overseas travel expenses          | 1,637,710            | 1,369,780            | (267,930)          | (20)      |
| 17   | Water and Electricity             | 28,471,267           | 18,363,234           | (10,108,033)       | (55)      |
| 18   | Taxes and Rates                   | 2,746,525            | 2,668,560            | (77,965)           | (3)       |
| 19   | Printing and Stationery           | 7,837,992            | 8,558,775            | 720,783            | 8         |
| 20   | Telephone and Telex               | 13,287,886           | 12,210,657           | (1,077,229)        | (9)       |
| 21   | Machine Costs                     | 24,714               | 303,760              | 279,046            | 92        |
| 22   | Other admin. expenses             | 41,883,350           | 54,393,915           | 12,510,565         | 23        |
| 23   | Provision for doubtful debts      | 0                    | 0                    | 0                  | 0         |
| 24   | Stock write offs                  | 877,019              | 432,377              | (444,642)          | (103)     |
| 25   | Bureau of Standards Levy          | 55,000               | 0                    | (55,000)           | (100)     |
| 26   | Use of other services             | (9,592,943)          | (3,115,202)          | 6,477,741          | (208)     |
| 27   | Directors Expenses                | 9,838,395            | 10,046,749           | 208,354            | 2         |
| 28   | Supply of Seedcane                | 31,986,874           | 7,693,705            | (24,293,169)       | (316)     |
| 29   | Subscriptions and Donations       | 328,540              | 3,101,351            | 2,772,811          | 89        |
|      | <b>TOTAL OPERATING EXPENSES</b>   | <b>2,456,582,008</b> | <b>2,582,055,390</b> | <b>125,473,382</b> | <b>5</b>  |
|      | <b>RE-ALLOCATION OF OWN COSTS</b> |                      |                      |                    |           |
| 30   | Services to Outgrowers            | (333,342,321)        | (308,552,111)        | 24,790,210         | 8         |
| 31   | Standing Cane Account (N/Estate)  | (75,977,840)         | (50,871,444)         | 25,106,396         | 49        |
| 32   | Roads Maintenance Unit            | (3,000,000)          | (3,000,000)          | 0                  | 0         |
|      | <b>Total RECOVERIES</b>           | <b>(412,320,161)</b> | <b>(362,423,555)</b> | <b>49,896,606</b>  | <b>14</b> |
|      | <b>NET OPERATING EXPENSES</b>     | <b>2,044,261,848</b> | <b>2,219,631,835</b> | <b>175,369,987</b> | <b>8</b>  |
|      | <b>FINANCE CHARGES</b>            |                      |                      |                    |           |
| 33   | Bank Overdraft Charges            | 42,605,066           | 66,222,241           | 23,617,175         | 36        |
| 34   | Interest and Finance Charges      | 72,850,515           | 91,973,689           | 19,123,174         | 21        |
| 35   | Unrealised Forex (Gains)/Losses   | 4,313,400            | 27,722,532           | 23,409,132         | 84        |
| 36   | Realised Forex (Gains)/Losses     | 5,443,544            | 2,863,113            | (2,580,431)        | (90)      |
|      | <b>TOTAL FINANCE CHARGES</b>      | <b>125,212,525</b>   | <b>188,781,575</b>   | <b>63,569,050</b>  | <b>34</b> |
|      | <b>GRAND TOTAL EXPENSES</b>       | <b>2,169,474,372</b> | <b>2,408,413,410</b> | <b>238,939,038</b> | <b>10</b> |