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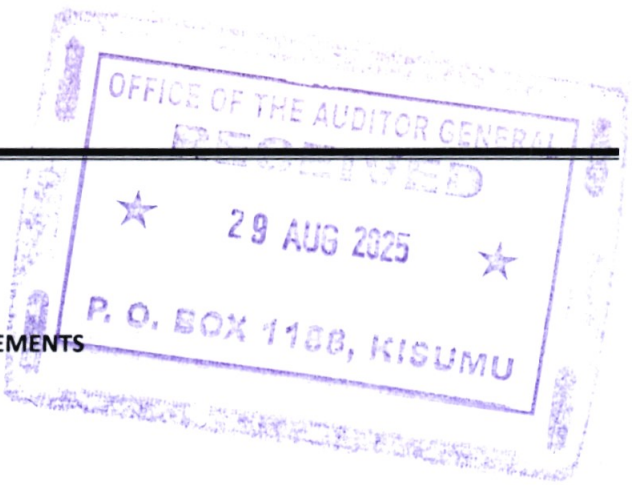
 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 MAR 2026	DAY. TUESDAY
TABLED BY:	HON. DWEN BAYA, MP
CLERK-AT THE-TABLE:	CHRISTINE NDIRITU

THE AUDITOR-GENERAL

ON

CHEMELIL SUGAR COMPANY LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2025**



CHEMELIL SUGAR COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2025**

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

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

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KEY ENTITY INFORMATION

Background information

Chemelil Sugar Company was established in 1965 as a private limited Company and later became a Parastatal in 1974. It is currently a Parastatal under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives - State Department of

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KEY ENTITY INFORMATION

Background information

Chemelil Sugar Company was established in 1965 as a private limited Company and later became a Parastatal in 1974. It is currently a Parastatal under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives - State Department of Crop Development. The Company is domiciled in Kenya and is located along Awasi - Nandi Hills Road in Muhoroni sub-County of Kisumu County, approximately 50 kilometres from Kisumu City.

Principal Activities

The principal activity of the Company is to manufacture sugar and co-products from sugarcane and to establish and manage sugarcane plantations. Its vision is to be the Company of choice in the production and marketing of sugar as well as in sugarcane development in the region. The Company's core objectives include cane development, factory capacity utilization, marketing and distribution, environmental management and corporate citizenship.

Directors

The following were the Directors serving during the year/period after the appointment on 14th April 2023 via gazette notice No. 4841 and No 4847 respectively and revoked via gazette notice no5942 and 5948 of 12th May, 2025.

- | | |
|--|---------------------------------------|
| 1. Eng. John Nyambok | - Chairman |
| 2. Mr. Moses Kolum | - Managing Director |
| 3. Mrs. Mary Simat | - Independent Director |
| 4. Mr. Samuel Ogolla Bonyo | - Independent Director |
| 5. Mr. Henry Ntongai Mitu | - Independent Director |
| 6. Mr. David Kiplagat Kitur | - Independent Director |
| 7. Ms. Enricah Apiyo Dulo | - Independent Director |
| 8. Mr. John Kipyegon Chesiror | - Independent Director |
| 9. State Department for crop Development | - Alternate, Ms. Agnes Chepng'eno soi |
| 10. Inspector- General (Corporations) | - Alternate, Mr. George Ombua |

Chief Officers

- | | |
|---------------------------|--------------------------------------|
| 1. Mr Moses k kolum | - Managing Director |
| 2. Ms. Jacqueline Kotonya | - Quality assurance manager |
| 3. CPA Steven Aluoch | - Head of Finance (Ag) |
| 4. Mr. Jorim Osewe | - Head of Agriculture (Ag) |
| 5. Mr. Joseph Kiilu | - Head of Factory (Ag) |
| 6. Mr. Constance Webale | - Head of Human Resources (Ag) |
| 7. Ms. Esther J Ngetuny | - Marketing & Corporate Manager (Ag) |
| 8. Mr. Henry K Sigei | - Internal Audit Manager (Ag) |

Corporate Secretary

Image Registers
P.O. Box 9287- 00100
Nairobi, Kenya.

Corporate Headquarters

P.O. Box 177-40107
Awasi-Nandi Hills Road
Muhoroni, Kenya

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KEY ENTITY INFORMATION

Corporate Secretary

Image Registers
P.O. Box 9287- 00100
Nairobi, Kenya.

Corporate Headquarters

P.O. Box 177-40107
Awasi-Nandi Hills Road
Muhoroni, Kenya

Corporate Contacts

Telephone : (254) 020-2031883/4/5
E-mail: chemelil@swiftkisumu.com/chemelil.mdsoffice@gmail.com
Website: **Error! Hyperlink reference not valid.**

Corporate Bankers

1. **Kenya Commercial Bank Limited**
P.O. BOX 17-40100
Kisumu, Kenya
2. **Co-operative Bank of Kenya Limited**
P.O BOX 301511-40100
Kisumu, Kenya


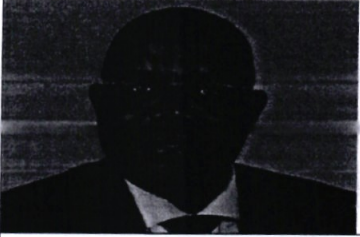
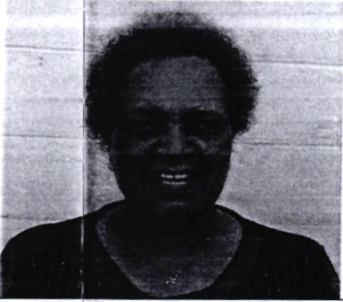

Independent Auditors

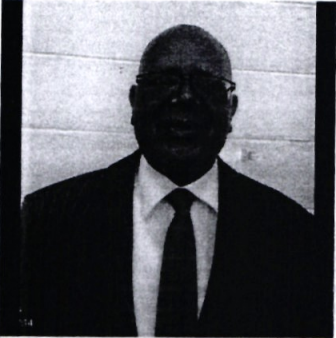


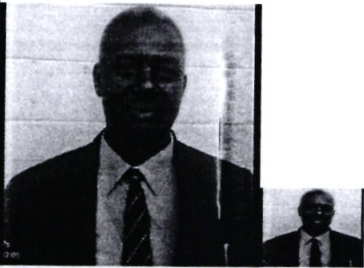
Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

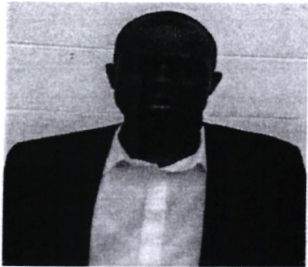


Principal Legal Advisers

1. **Amos Oyuko & Company**
P.O. Box 17- 40100
Kisumu, Kenya.
2. **Otieno Yogo Ojuro & Company**
P. O. Box 3051 – 40100
Kisumu, Kenya.

THE BOARD OF DIRECTORS




DIRECTOR'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
<p>1. Eng. John Nyambok Chairman</p> 	
<p>2. Mr. Moses Kolum Managing Director</p> 	
<p>3. Mrs. Mary Simat Independent Director</p> 	
<p>4. Mr. Samuel Ogolla bonyo Independent Director.</p> 	

<p>5. Mr. Henry Ntongai Mitu Independent Director</p> 	
<p>6. MS Enricah Apiyo Dulo Indipenent director</p> 	
<p>Mr. David Kiplagat Kitur</p> 	
<p>7. Mr. John K chesiror (Independent Director)</p> 	

<p>8 Mr Philip Odonyo Alternate Director</p> 	
<p>9. Mr. George Ombua Alternate Director</p> 	
<p>Mr.Mtemi Alternate Director</p> 	


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MANAGEMENT TEAM

MANAGER'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
 <p>Mr. Moses K Kolum</p>	<p>Managing Director MBA (</p>
 <p>Ms. Jacqueline Kotonya BSc (Chemistry), AWSE, EIK</p>	<p>Quality Assurance Manager. Bachelor of science degree in Chemistry, Certificate in Environmental Impact Assessment and Environmental Audit, ISO 14001 Lead Auditor certification - EMS, ISO9001 Auditor certification - QMS, ISO 22000 Auditor Certification-Food safety Management Systems, HACCP Certification, Training in Occupational Health & Safety, Training in Energy Management, Training in Kaizen Principles, Training in Performance Appraisal</p>
 <p>Mr. Joseph Mutisya Kiilu BSc (Food Sc. & Technology)</p>	<p>Head of Factory (Ag) Bachelor of Science in Food Science & Post harvest Technology.</p>
<p>CPA. Steve Aluoch BCom, CPA(K)</p> <p>Ag. Head of Finance</p>	<p>Head of Finance Bachelor of Commerce (Accounting option), CPAK Member No. 12004</p>

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<p>Mr. Jorim Osewe BSc. (Agriculture)</p>	<p>Head of Agriculture (Ag) Bachelor of Science Degree in Agricultural Engineering, ERB (Graduate Engineer No. B4934)</p>
<p>Ms. Constance Webale BBM (Human Resource Mgt), CHRP(K)</p>	<p>Head of Human Resource (Ag) Certified Human Resource Professional - CHRP-K, Associate Member, Institute of Human Resource Professionals - IHRM (Member No. 08984), Bachelor of Business Management (HF Management option), Diploma in Human Resource Management, Certified Employee Relations Professional</p>
 <p>Mr. Japheth Ojwang BBM (Purchasing & Supplies), Dip BA, KISM, CIPS</p>	<p>Supply Chain Manager (Ag) Bachelor of Business Management (Purchasing & Supplies management), Diploma in Business Administration, KISM Member No. 70741</p>
<p>Ms. Esther J Ngetuny.</p>	<p>Marketing & Corporate Affairs Manager.</p>

Chemelil Sugar Company Limited

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CHAIRMAN'S STATEMENT

OVERVIEW

Generally the performance of the company was not fair compared to previous years.

Due to cane shortage occasioned by drought experienced in the year 2025, the cane supply in Nyando sugar belt during the financial year 2024/2025 dropped compared to preceding year(s) and sugar selling price was also unstable during the year due to excess supply of sugar in the market.

OPERATIONS

The volume of cane milled increased to 326,003.57 tonnes from 230,479.20 processed in the previous year. This was mainly because of the shortage of the raw material due high drought experience in the year 2024/2025 occasioning cane shortage in the zone. The average conversion ratio was 13.96 tonnes of sugarcane to one tonne of sugar compared to 14.49 in the previous year. The Company sold a total of 23,639.02 tonnes of sugar compared to 14,776.03 tonnes sold in 2023/2024. Accordingly, the gross turnover increased to Kshs. 2,313 million compared to Kshs. 1,637 million achieved in the previous year mainly because of good sugar and molasses prices.

RESULTS

The Company posted a loss of Kshs. 140 Million compared to the loss of Kshs. 103 million in the previous year. The loss was occasioned by low throughput due to cane shortage experienced in the zone and shutdown of the plant for maintenance from April 2025.

TAX CONTRIBUTION

The Company continued to be one of the large tax payers to the government. During the financial year, the Company paid Kshs. 817 million in VAT compared to Kshs. 261 million the previous year.

CORPORATE SOCIAL RESPONSIBILITY

Despite constrained cash flows the Company continued to play its role as a responsible corporate citizen. The key focus areas during the year under review were education, health, sanitation and environment. Through its own sponsored Chemelil Sugar primary and secondary schools and by supporting a number of other public schools within Chemelil zone, the Company continued to empower the population in the community. The Company also operates a health facility which supports the community's health, through its MCH and general healthcare services.

DIVIDENDS

The company remains committed to its primary objective of maximization of Shareholders' fund and in giving a return on investment through payment of dividends. However, due to the low performance for the year, loss incurred and the aforementioned financial constraints, the Company was not in a position to pay dividends. Measures are being put in place and this situation is likely to change in the coming years and dividends shall be paid accordingly.

PERFORMANCE CONTRACT

The company entered into a negotiated performance contract with the Government of Kenya for the year 2024/2025 by setting targets in line with the Strategic plan 2022/2023-2026/2027 and the Approved budget for 2024/2025. The Company did not achieve its profitability target for financial year 2024/2025 given the conditions it operated in but there is strong and positive indication of improved performance towards achieving and surpassing our boundaries of success.

Chemelil Sugar Company Limited

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Company did not achieve its profitability target for financial year 2024/2025 given the conditions it operated in but there is strong and positive indication of improved performance towards achieving and surpassing our boundaries of success.

REVIEW OF CURRENT AND FUTURE BUSINESS OUTLOOK

Access to adequate quality raw material and stability of market sugar price remain the key determinants of the Company's operational performance. The company continues to engage and/or contract farmers for cane supply. Improvement in cane availability is being pursued through planting of high sucrose and early maturing cane within the nucleus estate and improving extension services to farmers. Continued support to farmers with subsidized Gok farm inputs and implements is on-going. All these efforts are aimed at improving the quantity and quality of sugarcane for milling. The cane testing unit which will peg cane payment on sucrose content thus ensuring the company gets value for money is almost complete.

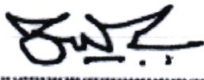
The Company's 5-year strategic plan 2022/2023-2026/2027 has targeted to increase cane yield from 48 TCH to 80 TCH and to mill 871,000 tons annually by the year 2026/2027. Though these targets were not achieved in the year under review, it is envisaged that the Government commitment to having strategic investors for the five public sugar mills will inject new funds to revitalise factory efficiency and mitigate the inadequate cane availability and supply to the factory. The process is expected to enhance competitiveness, profitability and sustainability of the Company. The company is also keen on cost controls and improved corporate communications policy to ensure it has support from all stakeholders.

The government appointed a taskforce to review and advise on the design, development and implementation of the sugar industry price stabilization framework which has looked into ways of stabilizing the incomes of different players in the sugar value chain going forward. The implementation of recommendations by this task force is expected to sanitize the regulatory regime, control sugar importation and create a level playing ground for all in the industry.

The COMESA safeguard measures expired in February 2023. The Company's generally improved performance levels should enable it compete given that time has lapsed. The Company will continue to enhance factory efficiency and increase the branded sugar production. Cost management initiatives will continue to be implemented to return the company to profitability. More land in the catchment area is being put under cane to meet the factory optimum requirements and irrigation project is being enhanced to increase cane yield. The cane development program will continue into the next year where a further 3,000 hectares are targeted. The subsidized fertilizers are now being applied to Nucleus fields and its expected that this improve the cane yields.

APPRECIATION

Much gratitude goes to the National Government for offsetting tax obligation and loans owed by the company, and also for paying all outstanding farmers arrears and availing to us subsidized fertilizers. We also thank all our cane farmers, suppliers, cane transporters, cane development contractors and the sugar customers for their valued support and standing with us during these difficult times in the last one year. Finally, sincere thanks to the management and staff for their hard work, resilience and continued commitment to Company goals even during the difficult times experienced for the better part of the year. There is all optimism that we shall all improve our performance to meet our targets for future Company sustainability.



COMPANY CHAIRMAN

DATE... 28/8/2025

Chemelil Sugar Company Limited
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REPORT OF THE CHIEF EXECUTIVE OFFICER

It gives me pleasure once again to present this report on the performance of Chemelil Sugar Company Limited for the year ended 30th June 2025

OVERVIEW

We appreciate AFA and SDF, with whom we held a consultative meeting, and agreed to resume milling operations after three months' stoppage to allow for adequate cane development in the face of the then prevailing severe cane shortage experienced particularly in Nyando Sugar-belt and Western Region Sugar-belts. Indeed, the suspension yielded dividends since cane availability has improved.

Even though there was positive effort towards restricting sugar importation still there was excess supply in the market hence decrease in sugar price. The Company's revenue generation and cash inflows were affected by low sugar price and low production arising mainly from cane shortage experienced within the first half of financial year. Other operational challenges included low agricultural machinery availability and low cane yields. With the availability of subsidised fertilizers, it's expected that Nucleus cane yields will improve.

PERFORMANCE REVIEW

I. Financial Performance

The overall result of the year was an operating loss of KShs. 140 Million compared to a loss of Kshs.103 Million recorded in the previous year. The annual maintenance done in the year 2021/2022 improved factory performance but the shortage of raw materials and reduction in sugar prices affected the operations negatively.

The net turnover for financial year 2025 increased from Kshs. 1,637,320,338.63 in 2024 to Kshs. 2,313,714,536.14 in the year 2025. This comprised of Kshs. 2,254,110,244.46 from sugar and Kshs. 59,604,291.68 from molasses.

II. Agricultural Operations

Cane delivered to factory during the year totalling 326,003.57 was 41% higher than 230,479.20 delivered in the previous year. The average pol (sucrose in cane) was 11.67% (2024-11.67%). The decrease in quantity is attributed to the shortage in supply of raw material. This is in addition to the relative low factory intake of sugar cane due to slow supply of raw material. The Nucleus Estate contributed 63,591.67 (19.5%) while 262,411.90(80.5%) was sourced from farmers within Chemelil zone. The price of cane per ton reduced by 10.16% to Kshs. 5,300 compared up from Kshs. 5,900 in FY 2024. Cane pricing committee was involved in setting minimum cane price based on prevailing ex-factory price of sugar.

Weather conditions during the year was favourable for cane production as the cane zone received relatively high rainfall mean of 1100.90mm (2024-1053.94mm) although slightly lower than the long term mean of 1,855.2mm. However, cane yields were at an average of 40.63 TCH compared to 45.89 the previous year due to unavailability of subsidised fertilizer in the nucleus estate. With now availability of subsidised fertilizer applied on Nucleus fields, the yields are expected to improve.

REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

Cane development program exceeded the target as a total of 552.4 hectares were ploughed, harrowed and furrowed against a target of 400 hectares. Area planted was 552.4 hectares against a target of 400 hectares. Fertilizer supply for planting and top dressing was low at 100 bags due to financial constraints. Currently subsidised fertilizers are available and they are being applied to Nucleus farms.

During the year, a lot of effort was expended to engage farmers and other industry stakeholders to appraise them on the Company and industry challenges and initiatives.

I. Factory Operations

The factory milled a total of 326,003.57 tons of cane in the year under review compared to 230,479.2 tons milled in financial year 2024. Of these 262,411.90 tons of cane representing 80.5% came from farmers while 63,591.67 tons representing 19.5% was received from the Nucleus Estate. In the previous year 199,706.56 tons of cane milled came from farmers while 30,772.64 tons came from the Nucleus farms. The amounts paid to farmers for cane supply were Kshs.1,322 million (2024-Kshs 1,103 million).

The cane supplied was milled at a conversion ratio of 13.96 (2024-14.49). The sugar to produce in the year was 23,210.29 compared to 15,205.79 tons produced in financial year 2024; this production represents 52% increase compared to the previous year.

A total of 764.39 tonnes of sugar representing 5% of sugar produced was branded. Sugar quality remained high as the Company complied with the Kenya Bureau of Standards (KEBS) requirements for Standardization Mark for brown sugar.

II. Sales and Commercial Activities

The Company sold a total of 23,639.02 tonnes of sugar compared to 14,776.03 tonnes sold in financial year 2023/2024. The average net prices per ton of sugar and molasses were Kshs112,657 (2024-Kshs. Kshs104,030.34) and Kshs. 13,166.66 (2024-Kshs. 13,166.66) respectively.

Most companies have increased their branding levels for better margins and key supermarkets have followed by shifted towards in-house branding thus intensifying competition. The Company's branding level remains lower than most competitors basically due to low investment in branding. The Company intends to expand its sugar branding capacity to increase availability of branded packs in the market and secure some shelf space in local supermarkets going forward.

QUALITY MANAGEMENT

Chemelil Sugar Company Limited has maintained an effective Quality Management System (QMS) across all departments of the Company. This is part of the strategic business decisions intended to improve and sustain the overall performance of the Company's business processes, products and services.

CORPORATE SOCIAL RESPONSIBILITY

During the year under review, the Company continued to play its role as a responsible corporate citizen with key focus on education, health, sanitation and environment. Through sponsorship of Chemelil Sugar primary and secondary schools and by supporting a number of other public schools within Chemelil zone, the Company continued to empower the population. All (100%) of the candidates who sat KCSE at Chemelil Academy in 2023 attained university entry grade. Chemelil Sugar primary candidates for the same year were ranked the best in the zone and very highly in Kisumu County.

The Company operates a Health Centre that supports staff and the local community through provision of health care services, preventive health campaigns, education and screening facilities. The community benefits from Company commissioned water supply from Chemelil Academy's solar powered borehole water supply system.

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REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

The Company maintains a tree nursery which supplies tree seedlings for planting in the non-caneable parts of the Company's expansive nucleus estate as well as for supply to farmers and the community in pursuit of 10% government tree cover policy and presidential directive. Tree seedling was supplied during the year under review.

HUMAN CAPITAL INVESTMENT

The Company's Human Resource strategy remains focused on building a strong unified team with excellent skills and the resilience necessary to return the Company to prosperity. We believe that our people are the lifeline of the Company's business and that strategic investment in the people enables us attract and retain a highly skilled workforce. The Company's commitment to continuous training and development remains strong despite prevailing financial constraints.

LITIGATION, DISPUTE RESOLUTION AND COMPLIANCE

During the year, the Company continued to be vigilant to maintain compliance with laws legislated and government policy directives issued at both national and county levels. The internal legal compliance environment has continuously been evaluated in order to mitigate against any legal exposure in a timely manner.

The Company will continue to explore options available to ensure that operational disputes are minimised and that alternative dispute resolution mechanisms are embraced as a way of resolving most of the current and future litigations while ensuring that the interests of all parties and stakeholders are fairly taken into account.

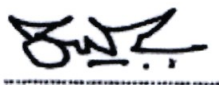
INFORMATION AND COMMUNICATION TECHNOLOGY

The Company maintained the upgrade of its Sun System to version 6.4 and the Isoft Payroll system during the financial year. This came with improvement of existing modules and introduction of new ones including purchasing module, inventory module, sales module and fixed assets module and involved significant computerization/automation of erstwhile manual processes.

During the rest of the financial year, the emphasis has been on process improvements and benefits realization by building user capacity and driving utilization of the ICTs in order to realise and sustain competitive advantage. The progress is good and better efficiency in information management is expected going forward.

APPRECIATION

On behalf of Management and staff, I wish to express my gratitude to all our stakeholders for their valued support over the period. Key among them are cane farmers who have stood with us during these difficult times and have now redoubled their efforts in cane farming. I also wish to thank our sugar customers, materials suppliers and service providers, the Sugar Directorate and Ministry of Agriculture, Livestock and Cooperatives for their continued support and also the President for appointing the Board of Directors to give guidance and oversight during the coming financial years and writing off loans and taxes owed to the government and also for payment of farmers arrears. Finally, I thank the management and staff for their hard work, resilience and continued commitment to the Company.



Moses K. Kolum

DATE... 28/08/2025

MANAGING DIRECTOR

Chemelil Sugar Company Limited

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CORPORATE GOVERNANCE STATEMENT

Corporate Governance is a key element contributing to Chemelil Sugar Company Limited Business success and sustenance. To this end, the company has implemented the Mwongozo Code of Governance as the Corporate Governance blue print for State Corporations.

The Board of Directors

Chemelil Sugar Company's Board of Directors provide strategic direction to the Company through oversight, review and guidance as well as setting the strategic and policy direction for the realization of the overall Company's strategic objectives.

The Board is normally comprised of independent, non-executive Directors, including the Chairman. The Directors are given appropriate and timely information so that they can maintain full and effective control over all strategic, financial, operational and compliance issues of the Company. All the non-executive Directors on the Board are independent of management and free from any business or other relationship which could materially compromise the exercise of their independence.

The Board offers oversight and review matters related to their duties including the Company's strategy, financial performance, corporate governance, ensuring sound maintenance of internal control systems and risk management.

Board Meetings

The Board of Directors meet quarterly in accordance with Board schedules as stipulated in the Mwongozo Code of Governance, in order to monitor the Company's planned strategy and review of the financial performance. Specific reviews of management performance, operational issues and future planning are also undertaken. The Board has a calendar for meetings and matters reserved for it. The directors receive appropriate and timely reports to facilitate informed deliberations and decision making.

Board Committees

The Board has four standing committees with specific delegated authorities and terms of reference. These are Audit Committee, Finance and Human Resource Committee and Strategy and Technical Committee. The Board Committees meet at least once on quarterly basis. The respective committee Chairpersons present their reports to the full Board at the quarterly meetings. The details of these committees and their membership of the Directors' appointed are highlighted below; -

1. Audit Committee

Members

Mr. John chesiror	-Chairman
Mr. Samuel Ogolla Bonyo	-Member
Ms. Enricah Dulo	-Member

Role and Functions

The Committee meets quarterly or as maybe necessary. Its responsibilities include; the review of interim and full year financial statements so as to ensure compliance with accounting standards and other disclosure requirements; the maintenance of the Company's system of accounting and internal controls; liaison with the external auditors of the Company and putting into effect their recommendations. The external auditors, internal auditors and the Company management may be called to attend any meetings of the Committee to clarify any issue as required by the Committee.

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2.Human Resource and Finance Committee

Members

Ms. Mary Simat	-Chairperson
Mr. Henry Mitu	-Member
Ms. Chepng'eno Soi	-Member

Role and Function

The Human Resources and Finance Committee meets quarterly and is mandated to review financial performance and human resource policies of the company on a regular basis. It also makes suitable recommendations to the Board on executive management appointments among other issues.

3.Risk, Governance and Compliance Committee (Continued)

Ms. Enricah Dulo	Chairperson
Ms. Mary Simat	Member
Mr. Henry Mitu	Member
Mr. David Kitur	

Role and function

The committee meets on need basis to review the operational and strategic issues such as cost management, diversification and information technology needs of the company and make recommendations to the Board on suitable long-term strategies for the company.

4.Strategy and Technical Committee

Mr. Samuel Ogolla Bonyo	Chairperson
Mr. David Kitur	Member
Mr. John Chesiror	Member

The Board appoints other committees as and when required.

Communication with Shareholders

The Company is committed to ensuring that shareholders and stakeholders are provided with full and timely information about its performance. This is usually done through the distribution of the Company's Quarterly and Annual Reports to the National Treasury, Parliament and Parent Ministry on quarterly and yearly basis. In this regard, the Company complies with its obligations on good corporate governance practices as contained in Mwongozo Code of Corporate Governance.

Board Evaluation and Performance

The Board conducts an annual evaluation to assess its effectiveness in discharging its mandate. The process entails self-evaluation for each director, evaluation of the Chairman of the Board on the overall Board interactions and conduct of business and the Chief Executive Officer. This is facilitated by State Corporations Advisory Committee (SCAC).

Conflict of Interest

All Directors are required to inform the Board of any conflicts or potential conflict of interest they may have in relation to particular items of the business, in which case they are required to absent themselves from the deliberations and decisions on those matters, unless resolved that they remain.

Chemelil Sugar Company Limited

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Mwongozo Code of Governance

The Company has implemented the Mwongozo Code of Governance for State Corporations which was issued by the Presidency. The Company has re-aligned its Code of Conduct to the Leadership and Integrity Act 2012. All the Directors, management and employees are required to uphold.

Risk Management Report

Section 3.2 (a) of the Mwongozo code of conduct requires that the Board ensure the development of a policy on Risk Management. In compliance therefore, the Company is developing the Enterprise Risk Management Framework and the Risk Register.

Management is accountable to the Company for designing, implementing and monitoring the process of risk management and integrating it into the day to-day activities while the Board will be responsible for the adoption or upgrading of the risk management plan. Risk management is the primary responsibility of line management.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

The Company returned a net loss before tax of Kshs. 103 million basically because of shortage of raw material that led to closure of milling for approximately 3 months. This was low performance compared to the previous year in which the Company posted a net loss of Kshs.76 million. This was mainly attributed to cane shortage in the first half of the year and low sugar and molasses prices in the second half of the year.

Other operations were also adversely affected by constrained cashflows in the 1st quarter and 2nd quarter of the year. After re- opening in 12th Dember 2023 due to accurate cane shortage, the Company was able to get sufficient cane for milling and the Company was able to meet its operational obligations when they fall due except for the few pending bills.

The government has written-off all the outstanding loans and taxes that had accrued in the financial year 2023/2024 and this has enhanced the going concern of the Company.

Key Projects or Investments Decisions

The projects during the year were building of classrooms, dormitories and one dining hall at Chemelil Sugar Academy valued at 14.8 million. These projects have enhanced students' enrolment at the school.

Compliance with Statutory Requirements

As an ISO certified Company, compliance with statutory and regulatory requirements form part of our routine concerns for which regular management vigilance applies. These include but not limited to annual manufacturing license, business licenses, occupational safety requirements, environmental compliance and statutory taxes. In exceptional circumstances where the Company falls behind in statutory payments, the Company engages actively with the relevant authority with the aim of establishing the most effective remedial arrangement that is acceptable within the regulator's legal provisions.

Chemelil Sugar Company Limited
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MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The existing statutory obligations in which payments have fallen in arrears include the following:

No	Institution/Description	Principal Amount in Arrears (Kshs.M)	Comment
1.	Kenya Revenue Authority (Tax arrears)	65	Settling at ksh 1m monthly
2.	National social security fund	29	Settling at Kshs.0.8m monthly
3.	National hospital insurance fund	30	Settling at Kshs.0.8m monthly
4.	CSCL Staff Pension Scheme (Contributions)	134	Suspended deductions temporarily
5.	Kisumu and Nandi County Govts (Cess)	54	Engagement ongoing
Total		312	

Major Risks facing the Company

The major risks facing the Company are tabulated in the table below:

No	Risk	Likelihood	Impact	Risk rating	Risk Response
1.	Sugarcane shortage	5	5	25	Timely cane payment; Cane development in Company farm
2.	Factory breakdown	5	4	20	Strategic on-the-run maintenance
3.	Solvency/detrimental creditor actions	3	5	15	Strategic engagements; Settlement schedules
4.	Industrial instability	3	4	12	Regular consultations; JIC Arbitration
5.	Adverse market price fluctuation	5	2	10	Weekly surveys and reviews

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Company appreciates the importance of the community and the environment within which it operates and recognises that by managing and improving the social, environmental and economic impacts of its day-to-day operations, there is opportunity to increase public confidence and satisfaction, reduce/prevent negative impacts on the environment. Accordingly, the Company takes deliberate measures to serve the community and uplift their standard of living. The business model strives to ensure that the return on investment is shared with stakeholders to the possible extent.

In the 2024/2025 financial year, the Company undertook various Corporate Social Responsibility (CSR) programs by offering the following:

- Sponsorship of schools
- Hosting and making donations to schools, orphanages and churches.
- Supporting community projects
- Donation of tree seedlings for environmental conservation

Health

The health of the community and farmers within chemelil sugar zone is a matter of crucial importance to CSCL. The Company has engaged staff and the community in a number of activities that will work towards a healthy population. The Company has nurtured a working partnership with local NGOs, CBOs and staff to help the community cope with health-related challenges.

As part of its Corporate Social Responsibility program, the Company operates a Health Centre that provides health care services, preventive health campaigns and health education and screening facilities to employees and the local community. The health facility extends its services to the surrounding community through provision of health services such as: -

- Comprehensive Care Centre (CCC)
- Voluntary Male Circumcision (VMC)
- Maternal Child Health Care (MCH)
- Family Planning (FP)
- Consultation
- Referral
- Nursing care
- Laboratory Diagnosis
- Drug dispensing
- Prevention and Management of HIV/AIDS

Education

Education continues to be a vital component of the lifeline of the community in which CSCL operates. The Company has an elaborate school education programme with an annual budget of approximately Kshs.70 million.

The Company runs two schools (Chemelil Sugar Academy and Chemelil Sugar Primary School) and hosts two other public primary schools (Factory Primary School and Chemelil B1 Primary School).

Water and sanitation

The Company supplies clean water for domestic use to the housing estates where its staff and other tenants live. Life would be unbearable in the living quarters if there was no reliable water supply. Basically, the Company harvests underground water by use of boreholes which is pumped to overhead tanks for distribution to the estate.

The has Company commissioned water supply to the community from a solar powered borehole water supply system installed at Chemelil Academy. This has impacted on the society through CSR.

Chemelil Sugar Company Limited
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For the year ended June 30, 2025

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Company's affairs.

Principal activities

The principal activities of the company continue to be manufacturing and marketing of sugar and co-products from sugarcane and establishment of sugarcane plantations.

Results

The results of the entity for the year ended June 30, 2025 are set out on page 1. Below is summary of the profit or loss made during the year.

	2025	2024
	Kshs	Kshs
Loss before tax	(140,893,307)	(103,813,493)
Tax		
Loss for the year	(140,893,307)	(103,813,493)

Dividends

The directors do not recommend the declaration of a dividend for the year 2025 (2024 Shs-Nil).

Directors

The members of the Board of Directors who served during the year are shown on page 1.

Independent Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board


COMPANY CHAIRMAN

DATE 28/08/2025

Chemelil Sugar Company Limited

Annual Reports and Financial Statements For the year ended June 30, 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act (Cap. 486), Section 81 of the Public Finance Management 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 of the company as at the end of the financial year and of the operating results for that year. It also requires the directors to ensure the Company maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2024. 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 Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, consistent with previous years and in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act (Cap 486). The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results for the year then ended. The directors further confirm the accuracy and completeness of the accounting records maintained by the company which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the system of internal controls.

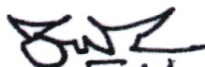
The Directors accept responsibility for the Company's annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Kenyan Companies Act (Cap 486), the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Company's annual financial statements give a true and fair view of the Company's transactions during the financial year ended June 30, 2024, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's annual financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on 28/08/2025 and signed on its behalf by:

COMPANY CHAIRMAN

MANAGING DIRECTOR



REPUBLIC OF KENYA

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NAIROBI

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

PREAMBLE

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

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

A Disclaimer of Opinion is issued when the Auditor-General is unable to obtain sufficient appropriate audit evidence to form an opinion on the financial statements. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Chemelil Sugar Company Limited set out on pages 1 to 54, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with

the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0. Unsupported Transfer of Ownership

Information provided by Management indicated that as per the Cabinet resolution, the Government of Kenya leased Chemelil Sugar Company to the Kibos and Allies Industry (Ltd) for a period of thirty (30) years. The Management officially handed over on 10 May, 2025.

Management explained that the lessee took over all the assets excluding motor vehicles and movable assets. However, the details of the assets transferred and ownership of the assets could not be confirmed due to lack of provision of the relevant records and documents such as lease agreement to determine nature and type of lease, terms and conditions of the agreement and due diligent report on valuation of assets and liabilities.

Further, the fair value of the assets could not be confirmed contrary to IAS 17.11 which states that for a finance lease, at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

In the circumstances, the fair value on presentation of financial statements could not be confirmed.

2.0. Material Uncertainty in Relation to Going Concern

The statement of financial position reflects a balance of Kshs.3,140,835,619 in respect of current liabilities which exceeded the total current assets balance of Kshs.731,054,548 resulting in a negative working capital of Kshs.2,409,781,071. Further, during the year under review, the statement of profit or loss and other comprehensive income indicated that the Company made a loss of Kshs.140,893,308 an indication that the Company may not be able to settle its obligations as and when they fall due and the existence of a material uncertainty.

The material uncertainty relating to going concern and measures put in place to improve the Company's financial performance was not disclosed in the financial statements.

In the circumstances, the Company is technically insolvent and its continued operations is dependent on the continued support from the creditors.

3.0. Variance between the Financial Statements and General Ledger

Review of the financial statements and the general ledger revealed various variances as detailed below:

i. Unsupported Cane Creditors and Other Payables.

Note 34 to the financial statements reflect a balance of Kshs.227,135,024 in respect of cane creditors and Kshs.130,768,081 in respect of other payables. However, review of the general ledger revealed balances of Kshs.136,596,713 and Kshs.47,501,663, resulting in unexplained variance of Kshs.90,538,311 and Kshs.83,266,418 respectively.

In the circumstances, the accuracy and completeness of the cane creditors and other payables balance of Kshs.227,135,024 and Kshs.130,768,081 respectively could not be confirmed.

ii. Unsupported Financial Statement Balances

Review of the financial statement revealed unsupported balances with the relevant ledger and schedules resulting to unreconciled variances as tabulated below:

Component	Note	Financial Statement	Ledger/Schedule	Variance
Trade and other payables				
SDL Payable	34	474,109,867	0	474,109,867
ML Payable	34	2,502,197	0	2,502,197
VAT Payable	34	115,177,058	0	115,177,058
PAYE Payables	34	84,903,214	0	84,903,214
Accrued tax penalties & interest	34	26,837,792	0	26,837,792
Staff Cost				
Wages of temporary employees	13(b)	270,476,627	0	270,476,627
National Social Security Schemes	13(b)	22,604,327	0	22,604,327
Staff gratuity/ provision	13(b)	34,641,327	0	34,641,327
Leave pay provision	13(b)	56,482	0	56,482
Staff welfare	13(b)	29,586,604	0	29,586,604
Affordable Housing Levy	13(b)	9,122,842	0	9,122,842
Retirement Benefits Obligation				
Gratuity	35	81,731,267	0	81,731,267
Provision for leave pay	36	1,654,417	0	1,654,417
Cost of Sales				
Change in value of un-milled cane	7	14,344,472	0	14,344,472
Changes in value of finished goods	7	46,894,221	0	46,894,221
Trade and Other Receivables				
Staff Receivables	23(c)	27,718,120	0	27,718,120
		1,156,757,167		1,156,757,167

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

iii. Variance between Financial Statements and Supporting Schedules- Other Income

The statement of profit or loss and other comprehensive income, and as disclosed in note 11 to the financial statements reflect other income amounting to Kshs.369,665,460 Included in this amount is Kshs.14,476,089 Kshs.1,570,512 and Kshs.347,405,910 that relate to rent income, miscellaneous income and GoK Grants respectively. However, the supporting schedule provided for audit review reflects an unexplained variance as tabled below:

Description	Financial Statement Amount	Ledger Amount	Variance
Rent income	14,476,089.02	3,509,063.34	10,967,026
Miscellaneous income	1,570,512.60	6,264,553.58	(4,694,041)
GoK Grants	347,405,910.56	292,749,037.51	54,656,873.05

In the circumstances, the accuracy of the reported amount of Kshs.369,665,460.84 could not be verified.

4.0. Sales Revenue

The statement of profit or loss and other comprehensive income and as disclosed in note 6 to the financial statements reflects amount of Kshs.2,313,714,536 in respect of sales revenue net of value added tax on gross sales comprising of sale of sugar and molasses amounting to Kshs.2,254,110,244 and Kshs.59,604,292 respectively. However, sales ledgers were not provided for audit review to support the sales revenue amounts.

In the circumstances, the accuracy and completeness of the sales revenue amounting to Kshs.2,313,714,536.14 could not be confirmed.

5.0. Unsupported Administrative Expenses

The statement of profit or loss and other comprehensive income and as disclosed in Note 13(a) to the financial statements reflects an amount of Kshs.372,101,507 in respect of administrative expenses. Included in this amount is Kshs.15,476,895 and Kshs.834,921 in relation to tax penalty & interest and interest on pension arrears respectively. However, no ledgers were provided to support these amounts.

In the circumstances, the accuracy and completeness of the administrative expenses amounting to Kshs.372,101,507 could not be confirmed.

6.0. Unsupported Biological Assets

The statement of financial position and as disclosed in note 21 to the financial statements reflects a balance of Kshs.95,672,164 in relation to biological assets. However, the balance was not supported with the following:

- i. The management did not provide ledgers supporting biological assets amounting to Kshs.95,672,164.

- ii. No valuation report was provided for audit hence we were unable for confirm the accuracy of Kshs.95,672,164 in relation to biological assets.
- iii. Also, it was noted that there was a huge decrease in the value of biological assets from the prior year recording an amount of Kshs.181,668,930 and current year an amount of Kshs.95,672,164 leading to unexplained variance of Kshs.85,996,766 (47%).

In the circumstances, the accuracy and completeness of the biological assets balance of Kshs.95,672,164 as at 30 June, 2025 could not be confirmed.

7.0. Cash and Bank

The statement of financial position and as disclosed in note 26 to the financial statements reflects a bank balance of Kshs.69,675,046 comprising of balances of Ksh.68,268,342 and Ksh.1,406,704 for four (4) KCB accounts and three (3) Cooperative bank accounts respectively. However, cash books, bank reconciliation statements and certificate of bank balances s in support of these balances were not provided for audit.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.69,675,046 could not be confirmed.

8.0. Long Outstanding Staff Receivables

The statement of financial position and as disclosed in note 23a to the financial statements reflects trade and other receivables of Kshs.375,099,764. Included in this balance is staff receivables amount of Kshs.27,718,120. Review of records revealed that there was an increase of Kshs.2,060,307 from the previous year figure which is an indication that Management has not put measures in place to ensure recovery of the debts from staff.

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

9.0. Unsupported Other Receivables

The statement of financial position and as disclosed in note 23(e) to the financial statements reflects other receivables of Kshs.60,712,762. However, the ledgers were not provided to support this amount.

In addition, there was provision for impairment loss for Kshs.14,988,103 under farmers, transport and cutters advances and Kshs.49,146,797 being provision for impairment loss under other receivables balance were not supported with detailed ledgers and an approved policy on provisions.

In the circumstances, the accuracy of the Kshs.369,882,840 under other receivables could not be confirmed.

10.0. Trade and Other Payables

10.1. Long outstanding payables

The statement of financial position and as disclosed in note 34 reflects trade creditors balance of Kshs.307,750,189.92. However, included in this balance, creditors worth

Kshs.250,353,839.13 were over 120 days, contrary to Regulation 150(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that subject to availability of funds and after proper certification of goods, works or service prompt payments are made within 60 days from the date of receipt of an invoice. In addition, the Company did not have credit policy to guide on debt management.

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

10.2. Outstanding Tax Arrears

The statement of financial position and as disclosed in note 34 to the financial statements reflects a balance of Kshs.115,177,057, Kshs.84,903,213, Kshs.244,089, and Kshs.26,837,792.43 for VAT payables, PAYE payables, With Holding Tax (WHT) payable and accrued tax penalties and interest respectively. The Company is at risk of incurring further penalties and interest with the delayed settlement of taxes.

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

10.3. Long Outstanding Payroll and Staff Expenses

The statement of financial position and as disclosed in note 34 to the financial statements reflects a balance of Kshs.1,292,032,183.18 and 5,437,607.24 being payroll accrued expense and accrued staff expense respectively. The Management risks litigation from accrued salaries and unremitted statutory deductions which can be avoided if dues are paid on time.

In the circumstances, Management was in breach of law.

10.4. Payables with Debit balance

The statement of financial position and as disclosed in note 23e to the financial statements reflects a balance of Kshs.104,765,999 being trade payables with a debit balance. Review of the payments records revealed that the Company was making payments prior to delivery of goods and services and thus resulting in the debit balances. It was also observed that in some instances the suppliers delivered partial goods and in other circumstances there were price variations due to difference in the amounts paid in advance and the invoice price as at the time of the delivery.

This was contrary to Regulation 150(1) of the Public Procurement and Asset Disposal Act Regulations, 2020 requires that payments to be made after proper certification of goods, service or works.

In the circumstances, the payments were irregular.

10.5. Long Outstanding Retirement Benefits Obligations

The statement of financial position and as disclosed in note 35 to the financial statements reflects an amount of Kshs.281,428,180 relating to retirement benefit obligations. Included in this amount is Kshs.199,696,913 relating to long term service dues. These are balances relating to gratuity that have remained outstanding for a

long time. Management did not provide justification on non-settlement of retirement dues. This was contrary to Treasury Circular No.10/2020 of 16 June, 2020, which requires pending bills to be settled as a first charge in the first quarter of the preceding financial year.

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

11.0. Yields Below Industry Standard

The statement of profit and loss and other comprehensive income and as disclosed in note 7 to the financial statements reflects an amount of Kshs.2,437,093,608 for cost of sales. Factory report provided for audit as at year end indicated that the Company milled 326,0003 tonnes of canes during the year under review and produced 23,359.53 tonnes of sugar, resulting in a renderment of ton cane/ton sugar (TC/TS made) of 13.96 % of the produced sugar, which is above the recommended renderment of 10%

It was also observed that factory time efficiency was 52.61% while overall time efficiency was 40.69 %. All this was contrary to Regulation 21(a) of the Crop Sugar Regulations, 2020 which gives clear guidelines for production of sugar.

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

12.0. Failure to Achieve Targets on Cane Supply

The statement of profit and loss and other comprehensive income and as disclosed in note 7 to the financial statement reflects an amount of Kshs.2,437,093,608 as cost of sales. During the audit, the Company provided a factory report that showed cane received during the year under audit was 326,003 tonnes while the estimated cane availability was 516,000 tonnes from both nuclear and out growers. It was observed that the Company did not achieve its set target as there was a variance of 189,997 tonnes. From the data provided by the management it was observed that the amount of cane that the management intended to collect from both out growers and nuclear was not achieved and there was under performance.

In the circumstances, Management was not able to meet its set targets.

13.0. Use Of Outdated Standard Operating Procedures (SOP)

It was observed that the Company was using outdated Standard Operating Procedures. The current Standard Operating Procedures (SOP) for the Company was last updated in the year 2017 while the current strategic plan for the Company runs from 2022/23 to 2026/27. The use of the outdated standard operating procedures directly affects the operation and services delivery as well as achievement of the objective as stated in the strategic plan.

In the circumstances, Management's Standard Operating Procedures do not align with the strategic.

14.0. Legal Costs

14.1. Failure to Seek Approval from Attorney General Before Engaging External Advocates

The statement of profit and loss and other comprehensive income and as disclosed in note 13 to the financial statements reflects an amount of Kshs.10,266,295 as legal fees and court awards. During the year under review, it was observed that the Company had five advocates in the list of their registered suppliers under provision of legal services. The Management, however, did not provide any correspondence and approval from the Attorney General authorizing them to use external legal service.

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

14.2. Failure to Use Competitive Selection on Legal Service Providers

The statement of profit and loss and other comprehensive income and as disclosed in note 13 to the financial statements reflects an amount of Kshs.10,266,295 as legal fees and court awards. During the audit, it was observed that the Company had five advocates in their list of registered suppliers under provision for legal services. During the review of the legal cases, it was observed that out of the 52 cases, 39 were represented by the same advocate. It was neither clear nor explained how he was picked from the list of registered suppliers and whether there was competition among them.

In the circumstances, fairness and competitiveness in the selection of the advocates representing the Company could not be confirmed.

14.0. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for recurrent and development reflects final receipts budget and actual amounts on comparable basis of Kshs.4,667,160,000 and Kshs.2,683,379,997 respectively, resulting to under-funding of Kshs.1,983,780,003 or 42.5% of the budget. Similarly, the Company spent Kshs.2,824,273,305 against actual revenue of Kshs.2,683,379,997, resulting in an over expenditure of 140,893,308 or 5% of the available funds.

In the circumstances, the under-funding and under absorption may have impacted negatively on the implementation of the entity's programs.

15.0. Failure to Integrate Climate Change Action Plan into the Sectoral Strategies

Review of Climate Change records revealed that the Company has not fully complied with the requirements set out under Article 69(f) of the Constitution, Climate Change Amendment Act, 2023 & The Climate Change (Carbon Markets) Regulations, 2024, National Climate Change Action Plan III 2023-2027 regarding environmental protection and management., the following anomalies were noted:

- i. No evidence was provided that the company had undertaken a comprehensive climate change risk assessment to identify vulnerabilities and evaluate potential impacts on operations and strategic objectives, as required under the Climate Change Act, 2016 and established governance frameworks.
- ii. The Company has not established structured procedures to regularly evaluate environmental effects and maintain compliance with environmental requirements.
- iii. The Company failed to establish mandatory climate change policies required by the Climate Change Act, 2016.

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

16.0. Non-Compliance with Guidelines on Establishment of Board Committees

During the financial year 2024/2025, the Board had four council committees namely Audit, Risk, Governance & compliance Committee, Finance & Human Resource, Strategy & Technical Committee. However, review of Board Committee Appointments revealed that membership of the committees was more than the required a third of the full Board. Details are in the table below:

Table 1: Non-Compliance with Guidelines on Establishment of Board Committees

	Committee	Membership
1.	Audit Committee	4
2.	Risk, Governance & compliance	4
3.	Finance and Human Resource	4
4.	Strategy & Technical	4

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

18.0. Non-Compliance with Guidelines on Board Appointments

Review of council members data revealed that all members of the Board, except for the Chief Executive Officer, were appointed on 14 April, 2023. Therefore, their tenures were not staggered to ensure a phased transition.

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

19.0. Non-Compliance with Two Thirds of Basic Salary Rule

Review of the payrolls categorized as academic staff, managerial staff, Junior staff, and contracted staff together with other documentation provided for audit verification revealed that the entity did not comply Section 19(3) of the Employment Act 2007, which prohibits officers from over-committing their salaries.

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

20.0. Staff in Acting Capacity Beyond Six Months

Review of payrolls and Human Resource records revealed that during the year under review, there were one hundred and eleven (111) employees (29 managerial and 82

union sable) in acting capacity and were paid acting allowances. However, the acting allowances were paid beyond the allowable period of six months and at a rate of 22% of the basic pay which was beyond the recommended rate of 20%. Further, recommendation by the Ministerial Human resource Management Advisory Committee and approvals were not provided for audit review. We could not confirm whether payment of the allowances was approved.

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

21.0. Non-Compliance with Law on Representation of People with Disabilities

During the year under review, the total number of employees on the Company’s payroll were 923, out of which only 15 or 1.6% were people with disabilities. This was contrary to Section B.23(2) of the PSC HR Policies May 2016 states that the Government shall implement the principle that at least 5% of all appointments shall be for persons with disabilities.

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

22.0. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees on the entity’s payroll were 923 out of which 518 or 56.1% of the total number were members of the dominant ethnic community in the region. In addition, 11 employees were not classified per ethnic background. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

23.0. Opening of Bank Accounts

Review of Company’s’ bank records revealed that the Company operates eight (8) bank accounts. However, the Management did not provide for audit verification approval from The National Treasury to open and operate eight (8) bank accounts as listed below in accordance with Section 28(1) of the Public Finance Management Act, 2012.

S/No	Cash at Bank
1	KCB Main Account Kisumu
2	KCKCB Project Account 1
3	KCB Project Account 2
4	KCB Chemelil Academic Account
5	Cooperative Bank Kisumu Main Account
6	Cooperative Bank Kisumu Project Account
7	Cooperative Bank Kisumu Health Account
8	KCB Nandi Hills Chemelil Academy PTA

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

24.0. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal controls, Risk management and governance. However, Management had not resolved the issues as at 30 June, 2025 as detailed in **Appendix 1**.

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

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have not obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' Report on page xx is not consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 18 has not been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of the 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 for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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


Auditor-General's Responsibilities for the Audit

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 December, 2025

Appendix 1 – Unresolved Prior Year Matters

	Year	Matter
1.	2023/2024	Long Outstanding Trade and Other Receivables
2.	2023/2024	Bank and Cash Balances
3.	2023/2024	Budgetary Control and Performance
4.	2023/2024	Long Outstanding Trade payables
5.	2023/2024	Outstanding Tax Arrears
6.	2023/2024	Long Outstanding Payroll Arrears and Unremitted Statutory Deduction
7.	2023/2024	Non Revaluation of fully Depreciated Assets
8.	2023/2024	Unutilized Irrigation Equipment
9.	2023/2024	Grounded Machinery
10.	2023/2024	Use of Absbestos in the Estate
11.	2023/2024	Harzardoius Disposal of by Product (Bagasse)
12.	2023/2024	Irregularities in Imprest Managment
13.	2023/2024	Non- Compliance with Law on Ethnic Composition and Gender Parity
14.	2023/2024	Lack of Share Certificate and CR 12
15.	2023/2024	Weaknessess in Inforamation Technology (IT) Internal Controls
16.	2023/2024	Reularity of Human Resource Managment Practices
17.	2023/2024	Lack of an Approved Staff Establishment
18.	2023/2024	Lack Of Human Resource Plans
19.	2023/2024	Staff Serving in Acting Capacity
20.	2023/2024	Accrued Leave Days
21.	2023/2024	Low Yields below the Industry Standards of 10%
22.	2023/2024	Under Staffing Internal Audit Function

Chemelil Sugar Company Limited

Annual Reports and Financial Statements
For the year ended June 30, 2025

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME			
FOR THE YEAR ENDED 30 JUNE 2025			
	Note	2024/2025 Kshs	2023/2024 Kshs
REVENUES			
Revenue	6	2,313,714,536	1,637,320,339
Cost of sales	7	2,437,093,608	1,838,193,167
		_____	_____
Gross profit/(loss)		(123,379,072)	(200,872,828)
Fair value gain on biological assets	8	-	158,972,169
OTHER INCOME			
Grants from the National Government	9	347,405,911	223,489,831
Interest income	10	-	349,292
Other Income	11	20,937,660	37,207,659
Other gains/(losses)	11	1,321,890	(2,644,805)
Total		369,665,461	258,401,977
		_____	_____
OPERATING EXPENSES			
Selling and distribution expenses	12	15,078,190	11,069,313
Administrative expenses	13	372,101,507	308,027,253
Finance Costs	14	-	1,218,244
		_____	_____
Total	15	387,179,697	320,314,810
		_____	_____
PROFIT/(LOSS) BEFORE TAXATION		(140,893,308)	(103,813,493)
INCOME TAX EXPENSE/(CREDIT)	16	-	-
PROFIT/(LOSS) AFTER TAXATION		(140,893,308)	(103,813,493)
		_____	_____
OTHER COMPREHENSIVE INCOME			
Fair value through comprehensive income		-	-
Surplus or deficit on revaluation of PPE		-	-
		_____	_____
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(140,893,308)	(103,813,493)
		=====	=====
Earning/(Loss) per share - basic and diluted	17	(13.32)	(9.81)
Total Comprehensive Earning/(Loss) per share - basic and diluted	17	(13.32)	(9.81)
Dividend per share	18	-	-

Chemelil Sugar Company Limited

**Annual Reports and Financial Statements
For the year ended June 30, 2025**

STATEMENT OF FINANCIAL POSITION			
AS AT 30 JUNE 2025			
	Note	2025	2024
		KSh	KSh
ASSETS			
Non-Current Assets			
Property, plant and equipment	19	4,720,006,909	4,785,480,180
Biological Assets	21	95,672,164	181,668,930
Staff receivables due after one year	23(c)	-	-
Total Non-Current Assets		4,815,679,073	4,967,149,110
Current Assets			
Inventories	22	271,671,359	373,607,966
Trade and other receivables	23(a)	375,099,764	295,530,665
Tax recoverable	24	14,608,376	14,608,376
Bank and cash balances	26	69,675,049	58,217,737
Total Current Assets		731,054,548	741,964,744
TOTAL ASSETS		5,546,733,622	5,709,113,854
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	28	211,591,620	211,591,620
Revaluation reserve	29	4,614,544,226	4,614,544,226
Retained earnings	30	-2,420,237,843	-2,227,043,947
Capital and Reserves		2,405,898,003	2,599,091,899
Non-Current Liabilities			
Borrowings	31	0	5,900,686
Total Non-Current Liabilities		0	5,900,686
Current Liabilities			
Borrowings	31	-	-
Deferred Income	33	160,659,792	102,841,995
Trade and other payables	34	2,666,897,304	2,668,594,412
Retirement benefit obligations	35	281,428,180	299,180,103
Provision for leave pay	36	22,150,556	23,804,972
Dividends payable	37	9,699,787	9,699,787
Total Current Liabilities		3,140,835,619	3,104,121,269
TOTAL EQUITY AND LIABILITIES		5,546,733,622	5,709,113,854

The financial statements were approved by the Board on 22/8/2025 2025 and signed on its behalf by:

Managing Director/C.E.O

Head of Finance

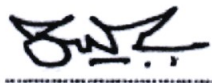
Chairman, Board of Directors

Name: Moses K Kolum

Name: Isaac Chepsiror


22/8/2025





Chemelil Sugar Company Limited

Annual Reports and Financial Statements For the year ended June 30, 2025

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025							
	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital development reserve	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At June 30, 2022	211,591,620.00	4,614,544,226.00	-	(8,993,501,754.27)	-	-	(4,167,365,908)
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(76,381,270.00)	-	-	(76,381,270)
Dividend paid	-	-	-	-	-	-	-
At June 30, 2023	211,591,620.00	4,614,544,226.00	-	(9,069,883,024.27)	-	-	(4,243,747,178)
At July 1, 2023 (As previously stated)	211,591,620.00	4,614,544,226.00	-	(9,069,883,024.27)	-	-	(4,243,747,178)
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Tax and loan writeoff by government.	-	-	-	6,946,652,570.00	-	-	6,946,652,570
Prior year adjustment	-	-	-	(52,300,588.00)	-	-	(52,300,588)
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(103,813,493.00)	-	-	(103,813,493)
Dividend paid	-	-	-	-	-	-	-
At June 30, 2024	211,591,620.00	4,614,544,226.00	-	(2,279,344,535.27)	-	-	2,546,791,311
At July 1, 2024	211,591,620.00	4,614,544,226.00	-	(2,279,344,535.27)	-	-	2,546,791,311
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Tax and loan writeoff by government.	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(140,893,307.59)	-	-	(140,893,308)
Dividend paid	-	-	-	-	-	-	-
At June 30, 2025	211,591,620.00	4,614,544,226.00	-	(2,420,237,842.86)	-	-	2,405,898,003

STATEMENT OF CASH FLOWS			
FOR THE YEAR ENDED 30 JUNE 2025			
	Note	2024/2025 KShs	2023/2024 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	37(a)	(1,487,671.77)	24,040,807.00
Interest received	37(d)	-	-
Interest paid	37(d)	-	(1,218,244.00)
Dividends paid	37(e)	-	-
Taxation paid	24	-	-
Net cash generated from/(used in) operating activities		(1,487,671.77)	22,822,563.00
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	19	(22,440,330.05)	(20,719,037.00)
Proceeds from disposal of property, plant and equipment		41,286,000.00	-
Purchase of intangible assets	20	-	-
Net cash generated from/(used in) investing activities		18,845,669.95	(20,719,037.00)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing	37(b)	-	16,682,442.35
Proceeds from grant	37(f)	-	-
Repayment of borrowings	31	(5,900,686.35)	(10,781,756.00)
Net cash generated from/(used in) financing activities		(5,900,686.35)	5,900,686.35
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,457,311.83	8,004,212.35
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		58,217,737.05	50,213,524.37
Effects of foreign exchanges rate fluctuations		-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	37(b)	69,675,048.88	58,217,736.71

Chemelil Sugar Company Limited

Annual Reports and Financial Statements For the year ended June 30, 2025

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS					
FOR THE PERIOD ENDED 30 JUNE 2025					
	Original budget	Adjustments	Final budget	Actual or comparable	Performance difference
	2024/2025	2024/2025	2024/2025	2024/2025	2024/2025
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Sale of goods (net)	(4,649,160,000)	-	(4,649,160,000)	(2,313,714,536)	(2,335,445,464)
Finance Income	-	-	-	-	-
Other income	(18,000,000)	-	(18,000,000)	(369,665,461)	351,665,461
Total income	(4,667,160,000)	-	(4,667,160,000)	(2,683,379,997)	(1,983,780,000)
Expenses					
Compensation of employees	848,525,573	-	848,525,573	743,276,653	105,248,920
Use of goods and services	3,023,888,041	-	3,023,888,041	1,973,213,066	1,050,674,975
Finance cost	-	-	-	0	-
Other payments	386,732,129	-	386,732,129	107,783,585	278,948,544
Total expenditure	4,259,145,743	-	4,259,145,743	2,824,273,305	1,434,872,438
Surplus for the period	(408,014,257)	-	(408,014,257)	140,893,308	(548,907,565)
	=====	=====	=====	=====	=====

The adverse variance was due to low sales of 23,639.02 tonnes of sugar against the budget of 41,280 tonnes due to cane shortage experience from the month of October 2024 upto April 2025 which led to closure of the milling plant from April 2025

The Company also received a grant of Kshs.347,405,910.56 from Gok to off-set farmers arrears and repair the plant.

The variance in employment is due to reduction in approved budget below actual expenditure

The Factory milled 326,003.57 tonnes of cane out of the budgeted 516,000 tonnes. Factory operations stopped from April 2025 due to cane shortage experienced during that season

The reduction in finance cost arises as a result of loan writeoff by the government of Kenya.

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Chemelil Sugar Company is established by and derives its authority and accountability from Corporations Act and Companies Act (Cap 486). The Company is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activities are manufacture and marketing of sugar from sugarcane and establishment of sugarcane plantations.

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 profit or loss and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

- i) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2024**
- ii) **Amendments to IFRS 16 titled 'Covid-19-Related Rent Concessions beyond 30 June 2021' (issued in March 2020)**

The amendments, applicable to annual periods beginning on or after 1 April 2021, that extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 titled 'Interest Rate Benchmark Reform — Phase 2' (issued in August 2020)

The amendments, applicable to annual periods beginning on or after 1 January 2021, with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

Amendments to IAS 41 Agriculture - Taxation in fair value measurements (issued on 14 May 2020).

The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted. It removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows

NOTES TO THE FINANCIAL STATEMENTS (Continued)

when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

iii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Amendments to IAS 1 titled *Classification of Liabilities as Current or Non-current (issued in Jan 2020)* The amendments, applicable to annual periods beginning on or after 1 January 2023, 'providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

Amendments to IAS 12 titled *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)* The amendments, applicable to annual periods beginning on or after 1 January 2023, 'that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Amendments to IFRS 17 titled *Amendments to IFRS 17 (issued in June 2020)* The amendments, applicable to annual periods beginning on or after 1 January 2023, 'to address concerns and implementation challenges that were identified after IFRS 17 'Insurance Contracts'.

Amendments to IAS 1 titled *Disclosure of Accounting Policies (issued in February 2021)* The amendments, applicable to annual periods beginning on or after 1 January 2023, 'with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements'.

Amendments to IAS 8 titled *Definition of Accounting Estimates (issued in February 2021)* The amendments, applicable to annual periods beginning on or after 1 January 2023, 'to help entities to distinguish between accounting policies and accounting estimates.

Amendments to IFRS 17 titled *"Insurance Contracts" (issued in May 2017)* The amendments, applicable to annual periods beginning on or after 1 January 2023.

Amendments to IAS 16 titled *"Property, Plant and Equipment — Proceeds before Intended Use" (issued in February 2020)* The amendments, applicable to annual periods beginning on or after 1 January 2022, 'regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management'.

Annual improvements cycle titled *Annual Improvements to IFRS Standards 2018–2020 (issued in May 2020)* The amendments, applicable to annual periods beginning on or after 1 January 2022. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

Amendments to IAS 37 titled *"Onerous Contracts — Cost of Fulfilling a Contract (issued in May 2020)* The amendments, applicable to annual periods beginning on or after 1 January 2022, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous'.

Amendments to IFRS 3 titled *'Reference to the Conceptual Framework' (issued in May 2020)* The amendments, applicable to annual periods beginning on or after 1 January 2022, with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements'.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

Impact of standards and interpretation:

The directors anticipate that the adoption of new Standards, Amendments and Interpretations resulting from the International Accounting Standards Board (IASB)'s improvements to IFRS listed above will have no material impact on the financial statements of the company and will be adopted as need arises according to the existing policies and strategies. The IASB's annual improvements process deals with non-urgent, minor amendments to standards.

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2024.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the *Company's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities as described below.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and loans given to farmers for sugarcane development and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognized in the income statement as it accrues using the effective lease/tenancy agreements.
- v) **Other income** is recognized as it accrues.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) In-kind contributions

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition for its intended use. 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 can be reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in the profit or loss account in the financial period in which they are incurred.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers. 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.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<u>Rate %</u>	
i) Buildings and roads:	
Buildings	2.50%
Roads	12.25%
ii) Plant, equipment and machinery:	
Factory plant and machinery	5.00%
Irrigation project	6.67%
Agricultural implements	10.00%
Wheeled tractors and cane loaders	12.25%
Crawling tractors	10.00%
Trailers and caterpillar implement	8.33%

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii) Motor vehicles and other equipment:	
Lorries and land rovers	16.67%
Other vehicles	20.00%
Office machines, fittings and equipment	20.00%
Household equipment	20.00%
Office furniture	10.00%
Computer hardware	25.00%

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate. A full year's depreciation charge is recognized in the year of asset purchase. No depreciation is charged in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually. 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

i) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

j) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

k) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

n) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees in managerial cadre. The scheme is administered by an in-house Board of Trustees and is funded by contributions from both the Company and its employees. The Company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,700 per employee per month.

p) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue to the employees. A provision is made for the estimated liability for annual leave at the reporting date.

q) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency, Kenya Shillings, using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any 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 recognised in profit or loss.

r) Budget information

The Company's budget for FY 2022-2023 was approved by the Ministry of Agriculture Livestock, Fisheries and Cooperatives – State Department of Crop Development in August 2022 having received National Treasury recommendation for approval. This was in compliance with requirements of Section 11 and 12 of the State Corporations Act, Cap 44 and Section 68 of the Public Finance Management Act, 2012.

The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

a) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

b) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024

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5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Company
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

The rates of depreciation assigned to each class of assets is a result of such assessments.

Biological assets

In arriving at the fair valuation of biological assets, the management has adopted IAS 41 and 61 in valuation of cane bearer plant, cane bearer plant work in progress, growing consumable cane and livestock.

The Company estimates the fair value of its growing consumable sugarcane as the product of estimated yield in tonnes of standing cane at its present age and the prevailing cane price less point of sale cost. The yield is estimated as the product of the area covered by the standing cane in hectares, the age of cane in months and the average cane yield per hectare per month (TCHM).

Bearer plant is measured at cost and depreciated over its productive life assumed to be an average of 48 months. The cumulative cost of land development and cane establishment from 0-6 months is capitalised. Livestock is recognised at acquisition cost and revalued at each year end using the prevailing market price for the animal category.

The biological assets valuation estimates and assumptions are detailed in Note 21.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 13. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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6 REVENUE ANALYSIS

	2024/2025	2023/2024
	KShs	KShs
Net sales of Sugar	2,254,110,244	1,537,155,389
Net sales of Molasses	59,604,292	100,164,950
Total net sales	2,313,714,536	1,637,320,339
Gross sales	2,683,908,862	1,899,291,593
Less: Value added tax on gross sales	(370,194,326)	(261,971,254)
Total	2,313,714,536	1,637,320,339

7 COST OF SALES

	2024/2025	2023/2024
	KShs	KShs
Cost of cane milled:		
Nucleus	160,704,022	90,452,963
Outgrowers	1,339,937,751	1,112,028,112
Change in value of unmilled cane	14,344,472	(10,808,246)
Total Cost of Cane milled	1,514,986,245	1,191,672,829
Agriculture	-	-
Staff Cost	125,674,143	102,986,870
Agriculture overheads	30,704,130	44,410,004
	156,378,273	147,396,874
Manufacturing	-	-
Staff Cost	338,206,398	252,624,812
Processing Costs	54,996,060	31,882,515
Repairs and maintenance	186,148,170	142,883,605
Other factory overheads	33,535,769	29,819,230
Depreciation-factory	56,531,195	78,001,410
	669,417,592	535,211,572
Change in value of sugar in process	49,417,275	(3,167,649)
Change in value of finished goods	46,894,221	(32,920,460)
Cost of goods sold	2,437,093,608	1,838,193,167

8 FAIR VALUE GAIN/(LOSS) ON BIOLOGICAL ASSETS

	2024/2025 KShs	2023/2024 KShs
Gain on consumable growing cane	-	158,341,169
Gain on livestock	-	631,000
Total	-	158,972,169

The fair value gain on consumable growing cane is determined in accordance with IAS 41 as detailed under note 21

9 GRANTS FROM NATIONAL GOVERNMENT

	2024/2025 KShs	2023/2024 KShs
Recurrent grants received	347,405,911	223,489,831
Capital grants realized (see note below)	-	-
In Kind contributions/donations	-	-
Total	347,405,911	223,489,831

Analysis of grants received from National Government

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund KShs	Total grant income during the year KShs
Ministry/State department of crop development	347,405,911	-	-	347,405,911
Total	347,405,911	-	-	347,405,911

10 INTEREST INCOME

Description	2024/2025	2023/2024
	Kshs	Kshs
Interest income:		
'- from treasury bonds	-	-
'- from receivables	-	349,292
'- from commercial banks and financial institutions	-	-
'- on staff loans	-	-
Total	-	349,292

11 OTHER INCOME, GAINS AND LOSSESS

(a) Other Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Rental income	14,476,089	13,425,922
Other miscellaneous income	1,570,513	10,930,492
Sale of millcane	4,891,059	12,851,245
Total	20,937,660	37,207,659

(b) Other Gains and Losses

Description	2024/2025	2023/2024
	Kshs	Kshs
Foreign exchange gains / (losses)	-	1,919,042
(Loss)/gain on disposal of property, plant and equipment	1,321,890	(4,563,847)
Loss/gain on disposal on sale of investments	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	1,321,890	(2,644,805)

12 MARKETING AND DISTRIBUTION COSTS

Description	2024/2025	2023/2024
	Kshs	Kshs
Staff cost - sales personnel	8,543,563	7,180,804
Product Handling and distribution costs	6,158,178	3,128,803
Other marketing and promotional expenses	-	-
Depreciation - distribution equipment	376,448	759,705
Total	15,078,190	11,069,313

13(a) ADMINISTRATION COSTS

Description	2024/2025	2023/2024
	Kshs	Kshs
Staff costs - other (note 13b)	270,852,549	237,396,482
Directors' emoluments	8,489,802	10,571,560
Auditors' remuneration	750,000	750,000
Legal fees and court awards	(10,266,295)	6,440,133
Consultancy fees	1,597,192	1,340,000
Medical Services	9,621,468	5,466,508
Staff training expenses	2,678,498	2,373,720
Insurance costs - other	8,133,160	7,913,164
Bank charges and commissions	981,370	995,348
Electricity and water	14,854,267	22,017,891
Repairs and maintenance	5,642,936	7,239,943
Stationery, printing and photocopying	7,925,491	4,741,786
Travelling and subsistence	8,775,250	10,596,565
Communication services and supplies	685,289	2,363,322
Depreciation - other	20,695,902	40,364,349
Bad and doubtful debts	-	-
Provision trade debtors	-	-

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		(4,135,690)
Stock Obsolescence	-	(17,813,412)
Provision other debtors	-	-5025108.27
Tax penalty and interest	15,476,895	11,360,898
prior year adjustment	-	-
Interest on pension arrears	834,921	-
Other administrative expenses	4,372,811	(36,930,203)
Total	372,101,507	308,027,253

13(b) EMPLOYMENT COSTS

Description	2024/2025 KSh	2023/2024 KSh
Salaries and allowances of permanent employees	376,798,174	333,275,865
Wages of temporary employees	270,476,627	167,516,093
National social security schemes	22,604,327	13,075,038
Pension contributions	-	-
Staff insurance	-	-
Staff gratuity/ provision	34,641,598	61,662,075
Leave pay provision	56,482	(10,138,733)
Staff welfare	29,586,604	28,698,703
Affordable Housing Levy	9,122,842	6,099,928
Total	743,276,653	600,188,968
The average number of employees at the end of the year was:		
Permanent employees – Management	185	185
Permanent employees – Unionisable	233	233
Temporary and contracted employees	886	886
Total	1,304	1,304

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14 FINANCING COSTS

Description	2024/2025 KShs	2023/2024 KShs
Interest expense:		
- on Imarisha sacco loan	-	1,218,244
- on IPF loans	-	-
- on bank overdrafts	-	-
Total	-	1,218,244

15 OPERATING PROFIT/(LOSS)

	2024/2025 KShs	2023/2024 KShs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 13b)	743,276,653	600,188,968
Depreciation of property, plant and equipment	104,626,418	162,637,853
Amortisation of intangible assets	-	-
Provision for bad and doubtful debts	-	-
Directors' emoluments - fees	-	-
- other	8,489,802	10,571,560
Auditors' remuneration - current year fees	750,000	750,000
- prior year under-provision	-	-
Loss on disposal of property, plant and equipment	(1,321,890)	4,563,847
Net foreign exchange loss	-	(1,919,042)
Total	855,820,983	776,793,185

16 INCOME TAX EXPENSE/(CREDIT)

	2024/2025	2023/2024
	KShs	KShs
Current tax charge	-	-
Deferred tax charge (note 32)	-	-
	<u> </u>	<u> </u>
Income tax expense/(credit)	-	-
	=====	=====

b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2024/2025	2023/2024
	KShs	KShs
Profit/(loss) before taxation	(140,893,308)	(103,813,493)
	<u> </u>	<u> </u>
Tax calculated at the statutory tax rate of 30% (2020:30%)	42,267,992	31,144,048
Tax effect of:		
'- Expenses not deductible for tax purposes	-	-
'- Prior year under/(over) provision in deferred tax	-	-
'- Deferred tax not recognised	-	-
	<u> </u>	<u> </u>
Income tax expense/(credit)	-	-
	=====	=====

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17 EARNING/(LOSS) PER SHARE

	2024/2025 KShs	2023/2024 KShs
Loss for the year attributable to equity shareholders	(140,893,308)	(103,813,493)
Total comprehensive loss per share attributable to equity shareholders	(140,893,308)	(103,813,493)
Weighted average number of shares in issue (note 28)	10,579,581	10,579,581
Loss per share	(13.32)	(9.81)
	=====	=====
Total comprehensive loss per share	(13.32)	(9.81)
	=====	=====

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19 PROPERTY, PLANT AND EQUIPMENT								
	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles including motor cycles	Furniture fittings & equipment	Signage & banner paint	Capital work in progress	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST OR VALUATION								
At July 1, 2024	2,000,000,000	1,974,110,595	1,531,965,512	20,343,585	103,582,742	166,477,384	19,268,610	5,815,748,427
Revaluation Surplus	-	-	-	-	-	-	-	-
Additions	-	16,539,974	-	-	5,900,356	-	22,606,399	45,046,729
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(39,369,000)	(1,917,000)	-	-	-	(41,286,000)
At June 30, 2024	2,000,000,000	1,990,650,569	1,492,596,512	18,426,585	109,483,098	166,477,384	41,875,008	5,819,509,156
COMPRISING								
Cost	-	37,721,993	861,453,428	19,685,836	109,483,098	166,477,384	41,875,008	1,236,696,747
Valuation	2,000,000,000	1,952,928,576	631,143,084	(1,259,251)	-	-	-	4,582,812,409
Total	2,000,000,000	1,990,650,569	1,492,596,512	18,426,585	109,483,098	166,477,384	41,875,008	5,819,509,156
DEPRECIATION								
At July 1, 2024	-	294,416,304	513,919,381	20,271,861	98,514,078	103,146,624	-	1,030,268,247
Reversed on Revaluation	-	-	-	-	-	-	-	-
Charge for the year	-	32,884,603	69,012,990	71,724	2,657,101	-	-	104,626,418
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	(33,475,418)	(1,917,000)	-	-	-	(35,392,418)
At June 30, 2025	-	327,300,907	549,456,953	18,426,585	101,171,178	103,146,624	-	1,099,502,247
NET BOOK VALUE At June 30, 2025	2,000,000,000	1,663,349,662	943,139,559	-	8,311,920	63,330,760	41,875,008	4,720,006,909

Property, plant and equipment include the following items that are fully depreciated:

19 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles including motor cycles	Furniture fittings & equipment	Signage & banner paint	Capital work in progress	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST OR VALUATION								
At July 1, 2023	2,000,000,000	1,959,259,852	1,531,965,512	20,343,585	97,714,449	172,645,125	18,154,510	5,800,083,031
Revaluation Surplus	-	-	-	-	-	-	-	-
Additions	-	14,850,743	-	-	5,868,294	6,367,037	7,481,137	34,567,211
Transfers	-	-	-	-	-	-	(6,367,037)	(6,367,037)
Disposals	-	-	-	-	-	(12,534,778)	-	(12,534,778)
At June 30, 2024	2,000,000,000	1,974,110,595	1,531,965,512	20,343,585	103,582,742	166,477,384	19,268,610	5,815,748,427
COMPRISING								
Cost	-	21,182,019	900,822,428	23,519,836	103,582,742	166,477,384	19,268,610	1,234,853,018
Valuation	2,000,000,000	1,952,928,576	631,143,084	(3,176,251)	-	-	-	4,580,896,409
Total	2,000,000,000	1,974,110,595	1,531,965,512	20,343,585	103,582,742	166,477,384	19,268,610	5,815,748,427
DEPRECIATION								
At July 1, 2023	-	245,135,642	427,741,717	19,312,179	94,412,011	88,999,777	-	875,601,325
Charge for the year	-	49,280,662	86,177,663	959,682	4,102,067	22,117,778	-	162,637,853
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2024	-	294,416,304	513,919,381	20,271,861	98,514,078	103,146,624	-	1,030,268,247
NET BOOK VALUE At June 30, 2024	2,000,000,000	1,679,694,291	1,018,046,131	71,724	5,068,665	63,330,760	19,268,610	4,785,480,180

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Land and buildings were revalued on 30th June 2018 by Tysons Limited based on open market value basis (level2). The same valuers valued factory plant and machinery, agricultural machinery and equipment and motor vehicles on a depreciated replacement cost basis (level2). The capital work in progress balance mainly represents expenditure on development of sugarcane within the Company's nucleus estate that was still at immature stage (0-6 months) as at the reporting date.

19 PROPERTY, PLANT AND EQUIPMENT

The Company accounts for its biological assets in accordance with revised IAS 41 and IAS 16. Under the standards, the root system of growing sugarcane is recognised as bearer plant from the 7th month when it is fully developed. At this stage, sugarcane begins to bear produce (sucrose) and remains productive for at least 3 harvest cycles of 16 months each as cane stamps sprout again into a new produce after each harvest.

Significant assumptions made in determining the carrying values of bearer plants include:

- a) Bearer plants are carried at cost less depreciation. The cumulative cost of developing cane has been capitalised and depreciated over the plant's economic life estimated to be 48 months. All costs incurred after the 6th month are expensed as maintenance costs.
- b) Cane aged 0-6 months is considered immature since the root system is still developing. Cost incurred at this stage is recognised as work in progress.
- c) On initial application of the standard, the cost value of existing bearer plants was estimated using standard cost of cane development per hectare. All subsequent additions are recognised at actual cost.

As at 30th June 2024, 44% (2023: 40%) of the nucleus estate farm measuring 999.4 ha (2023: 702.13 ha) had mature bearer plant. Thirty five percent (2023: 16%) of the estate land measuring 797 ha (2023: 360 ha) had immature bearer plant while 16% (2023: 17%) was fallow.

During the year, 57.8 ha (2023: 552 ha) was planted with new cane, 56 ha (2023: 298 ha) of growing cane matured and was transferred for capitalization as addition to bearer plant asset while 364 ha (2023: 259.6 ha) of mature bearer plant was fallowed or uprooted by ploughing.

The Company owns 2,700 hectares of freehold land. The land has been charged to secure banking facilities granted to the Company as disclosed in note 31. The land was last valued on 30th June 2018 by Tysons Limited on an open market basis at Kshs 2,000,000,000. The value of the land has been reflected in the statement of financial position as part of property plant and equipment

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20 INTANGIBLE ASSETS

	Computer software (KSh)	Capital work-in- progress (KSh)	
COST OR VALUATION			
At July 1, 2019	-	-	
Additions	-	-	
At June 30, 2020	-	-	
At July 1, 2020	-	-	
Additions	-	-	
At June 30, 2021	-	-	
	=====	=====	=====
ACCUMULATED AMORTISATION			
At July 1, 2019	-	-	
Charge for the year	-	-	
At June 30, 2020	-	-	
At July 1, 2020	-	-	
Charge for the year	-	-	
At June 30, 2021	-	-	
	=====	=====	=====
NET BOOK VALUE			
At June 30, 2020	-	-	
At June 30, 2021	-	-	
	=====	=====	=====

21 BIOLOGICAL ASSETS - CONSUMABLE

a) Growing sugarcane

	2024/2025 (KSh)	2023/2024 (KSh)
At the beginning of the year	179,334,430	62,607,949
Prior year adjustment	-	-
At the beginning of the year restated	179,334,430	62,607,949

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Decrease due to harvest at fair value less point of sale costs	(85,996,766)	(41,614,688)
	<u>93,337,664</u>	<u>20,993,261</u>
Gains arising from changes in fair value attributable to:		
- biological transformation	-	162,682,956
- price changes	-	(4,341,788)
	<u>-</u>	<u>158,341,169</u>
Fair value gain/(loss) on valuation	-	
At the end of the year	<u>93,337,664</u> =====	<u>179,334,430</u> =====

The Company grows sugar cane (biological asset) in its Nucleus Estate whose produce is harvested for replanting or milling. The Company has accounted for its biological assets in accordance with revised IAS 41 and IAS 16. Cane stem is recognised as the consumable growing produce from the 7th month when it begins to form sucrose. The produce fully matures with maximum sucrose 14 months thereafter but can be harvested as early as 9 months as seedcane.

b) Livestock

	2024/2025 Kshs	2023/2024 Kshs
At the beginning of the year	2,334,500	2,042,000
Increase due to acquisitions and births	-	-
Decrease due to slaughter or sale at fair value less point of sale costs	-	(338,500)
	<u>2,334,500</u>	<u>1,703,500</u>
Gains arising from changes in fair value attributable to:		
- biological transformation	-	556,000
- price changes	-	75,000
	<u>-</u>	<u>631,000</u>
Fair value gain/(loss) on valuation	-	
At the end of the year	<u>2,334,500</u> =====	<u>2,334,500</u> =====

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22 INVENTORIES

	2024/2025 KShs	2023/2024 KShs
Product Stock		
Milled Sugar	1,989,777	33,485,361
Molasses	(353,263)	1,744,900
Inprocess stocks		
Milled sugar-in-process	7,917,812	57,335,087
Molasses in process	-	-
Subtotal	9,554,326	92,565,348
Raw material stock		
Unmilled Cane	40	14,344,512
Other materials and consumables		
Field and factory stores	293,869,981	292,925,718
OOO Maintenance Stock	-	-
Consumable Stores	(636,339)	6,647,860
Stationery	6,470,389	4,116,787
Medicines	3,510,158	4,104,936
	303,214,188	307,795,301
Less: Impairment	(41,097,195)	(41,097,195)
Subtotal	262,116,993	266,698,106
Total	271,671,359 =====	373,607,966 =====

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(a) TRADE AND OTHER RECEIVABLES

	Gross Amount KShs	Provision for Impairment KShs	Net Amount KShs
At 30th June 2025			
Trade receivables (note 23b)	44,554,475	(34,939,571)	9,614,904
Loans to Outgrowers	422,186,831	(407,498,764)	14,688,067
Deposits and prepayments	18,599,396		18,599,396
Staff receivables (note 23c)	27,718,120	(1,268,664)	26,449,456
VAT recoverable	-		-
Other receivables (note 23d)	369,882,840	(64,134,900)	305,747,940
Total trade and other receivables	882,941,662 =====	(507,841,899) =====	375,099,763 =====

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At 30th June 2024			
Trade receivables (note 23b)	38,105,928	(34,939,571)	3,166
Loans to Outgrowers	422,186,831	(407,498,764)	14,688
Deposits and prepayments	18,532,576		18,532
Staff receivables (note 23c)	25,657,813	(1,268,664)	24,389
VAT recoverable	-		
Other receivables (note 23d)	298,889,415	(64,134,900)	234,754
Total trade and other receivables	803,372,563	(507,841,899)	295,530
	=====	=====	=====

23

(b) TRADE RECEIVABLES

	KShs	KShs
Gross Sugar receivables	34,749,383	29,123,907
Provision for doubtful receivables	(28,154,741)	(28,154,741)
	6,594,642	969,167
Gross Molasses Receivables	9,805,092	8,982,021
Provision for doubtful receivables	(6,784,830)	(6,784,830)
	3,020,262	2,197,190
	9,614,904	3,166,357
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	-	-
	-	-
	=====	=====

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(c) STAFF RECEIVABLES

	2024/2025 Kshs	2023/2024 Kshs
Gross staff debtors and advances	27,718,120	25,657,813
Provision for impairment loss	(1,268,664)	(1,268,664)
	<u>26,449,456</u>	<u>24,389,149</u>
	=====	=====
Less: Amounts due within one year	27,718,120	25,657,813
Amounts due after one year	-	-
	<u>-</u>	<u>-</u>
	=====	=====

23

(d) LOANS TO OUTGROWERS

	Gross Amount Kshs	Provision for Impairment Kshs	Net Amount Kshs
At 30th June 2025			
Farmer cooperatives	376,048,528	(365,958,108)	10,090,420
Large & small scale farmers	44,656,058	(40,706,920)	3,949,138
Transporters	1,482,245	(833,736)	648,509
	422,186,831	(407,498,764)	14,688,067
	=====	=====	=====
At 30th June 2024			
Farmer cooperatives	376,048,528	(365,958,108)	10,090,420
Large & small scale farmers	44,656,058	(40,706,920)	3,949,138
Transporters	1,482,245	(833,736)	648,509
	422,186,831	(407,498,764)	14,688,067
	=====	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:			
	Kshs	Kshs	Kshs
Less than 30 days	-	-	-
Between 30 and 60 days	-	-	-
Between 61 and 90 days	-	-	-
Between 91 and 120 days	-	-	-
Over 120 days	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====

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(e) OTHER RECEIVABLES

	2024/2025	2023/2024
	Kshs	Kshs
Farmers, Transporters & Cutters advances	27,025,793	20,323,088
Provision for impairment loss	(14,988,103)	(14,988,103)
	12,037,690	5,334,986
Other receivables	60,712,762	59,333,126
Provision for impairment loss	(49,146,797)	(49,146,797)
	11,565,965	10,186,328
	23,603,655	15,521,314
<u>Payables with debit balances</u>		
Trade payables	104,765,999	78,783,734
Small scale farmers	49,657,140	37,998,454
Large Scale Farmers	38,880,627	36,662,147
Transporters & Harvesters	34,722,506	19,126,131
Cane Maintenance Contractors	11,974,915	8,332,694
Payroll Liabilities	32,268,081	29,463,031
Other payables	9,875,017	8,867,011
	282,144,285	219,233,201
	305,747,940	234,754,515
	=====	=====
Less: Amounts due within one year	369,882,840	298,889,415
Amounts due after one year	-	-
	=====	=====

24 TAX RECOVERABLE

	2024/2025	2023/2024
	Ksh	Kshs
At beginning of the year	14,608,376	14,608,376
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	14,608,376	14,608,376
	=====	=====

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SHORT TERM DEPOSITS

	2024/2025 Kshs	2023/2024 Kshs
KCB Bank Limited	-	-
Cooperative Bank of Kenya	-	-
	<u>-</u>	<u>-</u>
	=====	=====

25 CASH AND BANK BALANCES

	2024/2025 Kshs	2023/2024 Kshs
Cash at bank	69,304,674	57,717,737
Cash in hand	370,375	500,000
Sub total	69,675,049	58,217,737
Bank Overdraft	-	-
Total	69,675,049	58,217,737
	=====	=====

26 CASH AND BANK BALANCES (Continued)

The make - up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024/2025 Kshs	2023/2024 Kshs
a) Current accounts			
KCB Bank Kisumu Main Account	1103790307	(596,391)	(8,176,4
KCB Bank Kisumu Project Account2	1180995716	55,819	10,750,9
KCB Bank Kisumu Project Account1	1112122478	0	
KCB Bank Kisumu Chemelil Academy Account	1103794930	61,827,478	43,905,0
Cooperative Bank Kisumu Main Account	01120054662900	950,876	1,269,6
Cooperative Bank Kisumu Project Account	01120054662901	416,471	6,170,4
Cooperative Bank Kisumu Health Ctr Account	01160614981500	39,357	35,1
KCB NANDI HILLS CHEMELIL ACADEMY PTA A/C		6,611,064	3,762,9
Sub- total		69,304,674	57,717,7
b) Mobile Money Deposits			
Safaricom Mpesa		-	-
Sub- total		-	-

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c) Others(specify)			
Cash in transit		-	
cash in hand		370,375	500
Sub- total		370,375	500,
Grand total		69,675,049	58,217,

28 ORDINARY SHARE CAPITAL

	2024/2025 Kshs	2023/2024 Kshs
Authorised:		
10,579,581 ordinary shares of Kshs.20 par value each	211,591,620.00	211,591,620.00
	=====	=====
Issued and fully paid:		
10,579,581 ordinary shares of Kshs.20 par value each	211,591,620.00	211,591,620.00
	=====	=====

29 REVALUATION RESERVE

	2024/2025 Kshs	2023/2024 Kshs
As at 1st July	4,614,544,226.00	4,614,544,226.00
Surplus on revaluation of property, plant and equipment	-	-
Deferred tax relating to surplus on revaluation of property and equipment	-	-
Transfer of excess depreciation(net of deferred tax)	-	-
As at 30th June	4,614,544,226.00	4,614,544,226.00
	=====	=====

30 Retained earnings

	Retained earnings Kshs
At June 30, 2022	(8,993,501,754.27)
	=====
At July 1, 2021 (As previously stated)	(8,993,501,754.27)
Prior year adjustment	-
At July 1, 2021 (As restated)	(8,993,501,754.27)
Revaluation gain	-

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Transfer of excess depreciation on revaluation	-
Deferred tax on excess depreciation	-
Total comprehensive income	(76,381,270.16)
Dividend paid	-
At June 30, 2023	(9,069,883,024.43)
At July 1, 2023 (As previously stated)	(9,069,883,024.43)
Revaluation gain	-
Transfer of excess depreciation on revaluation	-
Tax and loan writeoff by government.	6,946,652,569.83
Prior year adjustment	(52,300,588.00)
Deferred tax on excess depreciation	-
Total comprehensive income	(103,813,493.00)
Dividend paid	-
At June 30, 2024	(2,279,344,535.60)
At July 1, 2024	(2,279,344,535.60)
Revaluation gain	-
Transfer of excess depreciation on revaluation	-
Deferred tax on excess depreciation	-
Total comprehensive income	(140,893,307.59)
Dividend paid	-
At June 30, 2024	(2,420,237,843.19)

31 BORROWINGS

Description	2024/2025		2023/2024	
	Principal Kshs	Interest Kshs	Principal Kshs	Interest Kshs
Balance at beginning of the year	5,900,686.35	-	-	-
External borrowings during the year	-	-	-	-
Domestic borrowings during the year	-	1,218,244.00	16,682,442.35	1,218,244.00
Repayments of external borrowings during the year	-	-	-	-
Repayments of domestics borrowings during the year	(5,900,686.35)	(1,218,244.00)	(10,781,756)	(1,218,244)
Exchange rate gains/(losses) on revaluation of borrowings	-	-	-	-
Balance at end of the year	-	-	5,900,686	-

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Less: Amounts due with one year (current portion)	-	-	-	-
Amounts due after one year (non-current portion)	-	-	5,900,686	-
	=====	=====	=====	=====

31 BORROWINGS

The analyses of both external and domestic borrowings are as follows:

	2024/2025 KShs	2023/2024 KShs
External Borrowings		
Dollar denominated loan from 'A'	-	-
Sterling Pound denominated loan from 'B'	-	-
Euro denominated loan from 'C'	-	-
	-----	-----
Domestic Borrowings		
Kenya Shilling loan from Commodities Fund	-	-
Kenya Shilling loan from State Department of Crop Development	-	-
Kenya Shilling loan from KCB Bank	-	-
Kenya Shilling loan from Diamond Trust Bank	-	-
Kenya Shilling loan from Imarisha sacco	5,900,686.35	5,900,686.35
	5,900,686.35	5,900,686.35
	-----	-----
Total balance at end of year	5,900,686.35	5,900,686.35
	=====	=====

32 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2024/2025 KShs	2023/2024 KShs
Accelerated capital allowances	-	-

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Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Biological assets		
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
	<u> </u>	<u> </u>
Net deferred tax liability	-	-
	=====	=====

DEFERRED TAX LIABILITY

32 (Continued)

	2024/2025 Kshs	2023/2024 Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	-	-
Credit to revaluation reserve		
Deferred biological assets		
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
	<u> </u>	<u> </u>
Balance at end of the year	-	-
	=====	=====

33 DEFERRED INCOME

	2024/2025 Kshs	2023/2024 Kshs
Prepaid sugar sales	159,593,015.90	101,835,731.65
Prepaid molasses sales	1,066,776.30	1,006,263.54
	<u> </u>	<u> </u>
	160,659,792.20	102,841,995.19
	=====	=====

34 TRADE AND OTHER PAYABLES

	2024/2025 Kshs	2023/2024 Kshs
Trade payables - cane	227,135,024.64	325,904,303.97
Trade payables - creditors	307,750,189.92	262,867,238.76
Accrued expenses - payroll	1,292,032,183.18	1,356,026,520.25
Accrued expenses - staff		

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Other payables	5,437,607.24	6,533,647.42
	130,768,080.91	110,509,242.18
	1,963,123,085.89	2,061,840,952.58
VAT payable	115,177,057.81	62,519,311.13
PAYE payable	84,903,213.79	56,195,788.97
WHT payable	244,089.70	458,197.85
Accrued tax penalties & interest	26,837,792.43	11,360,897.84
SDL payable	474,109,867.13	474,109,867.13
ML payable	2,502,197.20	2,109,397.00
	703,774,218.06	606,753,459.92
	2,666,897,303.95	2,668,594,412.50

**35 RETIREMENT BENEFITS
OBLIGATIONS**

	Gratuity Kshs	Long term Service dues Kshs	Total Kshs
At 1st July 2024	63,504,264.88	235,675,837.80	299,180,103
Provision for the year	20,858,252.73	9,162,120.19	30,020,373
Paid during the year	(2,631,250.98)	(45,141,044.14)	(47,772,295)
At 30th June 2025	81,731,266.63	199,696,913.85	281,428,180
At 1st July 2023	52,675,109.08	204,713,031.81	257,388,141
Provision for the year	20,815,298.66	34,327,400.23	55,142,699
Paid during the year	(9,986,142.86)	(3,364,594.24)	(13,350,737)
At 30th June 2024	63,504,264.88	235,675,837.80	299,180,103

36 PROVISION FOR LEAVE PAY

	2024/2025 Kshs	2023/2024 Kshs
Balance at beginning of the year	23,804,972.11	33,907,142.78
Additional/(Reduction of) provision at end of year	-	258,117.00
Leave paid out or utilised during the year	(1,654,416.52)	(10,360,287.67)
Balance at end of the year	22,150,555.59 =====	23,804,972.11 =====

37 DIVIDEND PAYABLE

	2024/2025	2023/2024
Balance at beginning of the year	9,699,786.57	9,699,786.57
Declared during the year	-	-
Paid during the year	-	-
Balance at end of the year	9,699,786.57 =====	9,699,786.57 =====

Managerial employees engaged on contract terms are entitled to gratuity payment. Unionisable employees are entitled to retirement benefits based on years of service. The liability at the end of the year was as follows:

38 NOTES TO THE STATEMENT OF CASH FLOWS

	2024/2025 Kshs	2023/2024 Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(140,893,308)	(103,813,493)
Depreciation	104,626,418	154,666,922
Nucleus Estate cane	85,996,766	41,614,688
Fair value (gain)/loss on valuation of biological assets	-	(158,972,169)
(Gain)/loss on disposal of fixed asset	(1,321,890)	2,644,805
Grant Income		(223,489,831)

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	(347,405,911)	
Earned interest income	0	-349,292
Accrued interest expense	0	1,218,244
Interest and penalties on tax and pension arrears	15,476,895	11,360,898
Retirement benefit expenses	30,020,373	55,142,699
Staff leave provision	-	258,117
Bad and doubtful debt	-	-
Reduction in obsolescence provision	-	(17,813,412)
Other accrued expenses and provisions	0	0
Operating profit/(loss) before working capital changes	(253,500,657)	(237,531,824)
(Increase)/decrease in inventories	101,936,607	17,813,412
(Increase)/decrease in trade and other receivables	(79,569,099)	-
Increase/(decrease) in trade and other payables	229,645,477	384,711,865
Cash generated from/(used in) operations	(1,487,672)	164,993,453
(b) Analysis of changes in loans		
Balance at beginning of the year	5,900,686	-
Receipts during the year	-	16682442.35
Repayments during the year	(5,900,686)	(10,781,756)
Repayments of previous year's accrued interest	0	0
Foreign exchange (gains)/losses	0	0
Accrued interest	-	-
Balance at end of the year	-	5,900,686
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	69,304,674	57,717,737
Cash in hand	370,375	500,000
Balance at end of the year	69,675,049	58,217,737

	2024/2025	2023/2024
	KShs	KShs
(d) Analysis of interest paid		
Interest on loans (note 14)	-	1,218,244
Interest on bank overdraft (note 14)	-	-
	<u>-</u>	<u>1,218,244</u>
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	<u>-</u>	<u>1,218,244</u>
	=====	=====
(e) Analysis of dividend paid		
Balance at beginning of the year	9,699,787	9,699,787
Paid during the year	0	0
Balance at end of the year	(9,699,787)	(9,699,787)
Dividend paid	<u>-</u>	<u>-</u>
	=====	=====
(f) Analysis of Government grant received		
Total grant income during the year	347,405,911	223,489,831
Paid directly to farmers	-	-
Paid directly to suppliers	-	-1,350,438,617
Grant received	<u>-</u>	<u>-</u>
	=====	=====

39 RELATED PARTY DISCLOSURES

	2024/2025	2023/2024
	KShs	KShs
a) Sales to related parties		
Sales of goods to xxx	-	-
Sales of services xxx	-	-
Total	<u>-</u>	<u>-</u>
	=====	=====
b) Grants from the Government		
Grants from National Govt	347,405,911	223,489,831
Grants from County Government	-	-

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Donations in kind	-	-
Total	<u>347,405,911</u>	<u>223,489,831</u>
	=====	=====
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	<u>-</u>	<u>-</u>
	=====	=====
d) Key management compensation		
Directors' emoluments	8,489,802	10,571,560
Compensation to the CEO	4,723,263	4,723,263
Compensation to key management	3,560,232	3,560,232
Total	<u>16,773,297</u>	<u>18,855,055</u>
	=====	=====

40 CAPITAL COMMITMENTS

	2024/2025 KShs	2023/2024 KShs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	41,875,008	19,268,610
	<u>41,875,008</u>	<u>19,268,610</u>
	=====	=====

41 CONTINGENT LIABILITIES

	2024/2025 KShs	2023/2024 KShs
Bank guarantees	-	-
Legal claims against the Company	103,763,193	398,481,126
Letters of credit	-	-
Disputed tax penalties	-	-
Total contingent liabilities	<u>103,763,193</u>	<u>398,481,126</u>
	=====	=====

**FINANCIAL RISK
43 MANAGEMENT
i) Credit Risk Management**

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2025				
Receivables from exchange transactions	466,741,306	24,302,971	442,438,335	442,438,335
Receivables from non exchange transactions	416,200,356	350,796,792	65,403,564	65,403,564
Bank balances	69,304,674	69,304,674	0	0
Total	952,246,337	444,404,438	507,841,899	507,841,899
At 30 June 2024				
Receivables from exchange transactions	460,292,759	17,954,424	442,438,335	442,438,335
Receivables from non exchange transactions	343,079,804	277,676,241	65,403,564	65,403,564
Bank balances	57,717,737	57,717,737	0	0
Total	861,090,300	353,248,402	507,841,899	507,841,899

ii) Liquidity Risk Management

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date.

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 3 months Kshs	Total Kshs
At 30 June 2025				
Trade payables	17,670,353.37	65,340,706.74	451,874,154.46	534,885,214.56
Employees' dues	30,475,147.80	41,425,443.40	1,225,569,199.22	1,297,469,790.42
Tax Arrears	19,022,602.95	71,766,524.48	586,147,298.20	676,936,425.63
Other Payables	-	-	140,467,867.48	140,467,867.48
Current portion of borrowings	-	-	-	-
Provisions	-	-	48,988,348.02	48,988,348.02
Deferred income	26,000,000.00	62,400,000.00	72,259,792.20	160,659,792.20
Employee benefit obligation	2,950,000.00	23,850,000.00	254,628,180.48	281,428,180.48
Total	96,118,104.12	264,782,674.62	2,779,934,840.05	3,140,835,618.79
At 30 June 2024				
Trade payables	(6,391,222.60)	17,217,554.79	577,945,210.54	588,771,542.73

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Employees' dues	30,475,147.80	41,425,443.40	1,290,659,576.47	1,362,560,200.67
Tax Arrears	19,022,602.95	71,766,524.48	504,603,434.65	595,392,562.08
Other Payables	-	-	120,209,028.75	120,209,028.75
Current portion of borrowings	-	-	-	-
Provisions	-	-	25,063,699.28	25,063,699.28
Deferred income	26,000,000.00	62,400,000.00	14,441,995.19	102,841,995.19
Employee benefit obligation	2,950,000.00	23,850,000.00	314,172,064.46	340,972,064.46
Total	72,056,528.15	216,659,522.67	2,847,095,009.34	3,135,811,060.16

iii) Market Risk Management

a) Foreign Currency Risk Management

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KSh	Other Currencies	Total
	KSh	KSh	KSh
At 30 June 2025			
Financial assets			
Investments	-	-	-
Cash	69,675,049	-	69,675,049
Debtors	-	-	-
	69,675,049	-	69,675,049
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	5,900,686	-	5,900,686
	5,900,686	-	5,900,686
Net foreign currency asset/(liability)	63,774,363	-	63,774,363

b) Foreign Currency Sensitivity Analysis

	Change in currency rate	Effect on Profit before tax	Effect on equity
	KShs	KShs	KShs
2025			
Euro	10%	-	0
USD	10%	-	0
2024			
Euro	10%	-	0
USD	10%	-	0

iii) Capital Risk Management

	2024/2025 KShs	2023/2024 KShs
Revaluation reserve	4,614,544,226	4,614,544,226
Retained earnings	(2,420,237,843)	(2,227,043,947)
Capital reserve	211,591,620	211,591,620
Total funds	2,405,898,003	2,599,091,899
Total borrowings	-	5,900,686
Less: cash and bank balances	(69,675,049)	(58,217,737)
Net debt/(excess cash and cash equivalents)	(69,675,049)	(52,317,051)
Gearing	-3%	-2%

44 INCOPORATION

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

45 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

46 CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

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

Ref No	Issue/Observations from Auditor	Response	Status	Time Frame
1.0	<p>Long Outstanding Trade and Other Receivables</p> <p>The statement of financial position reflects a balance of Kshs.295,530,665 in respect of trade and other receivables as disclosed in Note 23(a) to the financial statements. The balance of 295,530,665 is net of provision for impairment cost of Kshs.507,841,899 from gross balance of Kshs.803,217,892. However, Management did not provide supporting documents to impairment provision.</p> <p>In addition, review of the ageing analysis of the gross trade and other receivables balance of Kshs.803,217,892 revealed debtors with balances of Kshs.14,626,137 had been outstanding for more than 120 days which casts doubt on their recoverability. The amount also includes staff receivables of Kshs.24,389,149 whose imprest warrants and other supporting documents were not provided for audit review. However, Management has not acted to recover the long outstanding imprests from</p>	<p><i>The Company's sales are largely made on cash basis with the only credit sales being molasses sales to Agro Chemical and Finance Company which is a neighboring state corporation. Further, the Company no longer provides cane development loans to farmers. The debtors' balances cited are historical balances which arose more than 5 years back when the Company had credit sale arrangements and was giving cane development loans to farmers. The provisions made in the books are specific provisions against balances that have not moved for more than 5 years and there is no indication that recovery is likely. Management has since developed a draft Credit Management policy document to guide on engagement with customers, monitoring and collection of debts as well as provisioning and write off doubtful and bad debts. This will be put into full use upon approval by the Board of Directors.</i></p> <p><i>The amount of Ksh.24,389,149 on staff receivables does not relate to imprest rather staff debts. All staffs in the company are classified as debtors and this value relates to what a staff owes the company in terms of school fees, rent, advances and fuel recoverable from personal pay slips.</i></p> <p><i>Schedule showing how the provision was arrived at has been provided for</i></p>	Resolved	30 th June, 2025

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	<p>the staff payroll.</p> <p>In the circumstances, the accuracy, completeness and recoverability of trade and other receivables balance of Kshs.295,530,665 could not be confirmed. Inaccuracies in</p>	<p><i>audit review since it was not requested.</i></p>		
2.0	<p>Bank and Cash Balances</p> <p>The statement of financial position and as disclosed in Note 26 to the financial statement reflects cash and bank balances of Kshs.58,217,737 held in seven (7) bank accounts. However, the following anomalies were noted:</p> <p>a) The bank reconciliation statement for the main bank account reflects balance as per the cashbook as negative Kshs.8,176,418 while the actual cashbook reflects a balance of negative Kshs.8,672,918 resulting in a variance of Kshs.496,500 which was not reconciled;</p> <p>b) The cashbook for the main bank account was overdrawn by Kshs.8,176,418 and has been netted off from other bank accounts with debit balances instead being</p>	<p><i>The variance of Ksh.496,500.35 was as a result of reversal of double receipt in the cashbook on 12.01.2024 and 10.04.2024 of Ksh 2500 and Ksh 1000 respectively as per attached supporting documents.</i></p> <p><i>The cash book was overdrawn by Ksh.8,176,418 due to unrepresented cheques which were later presented in July as per attached Schedule. (Appendix I)</i></p> <p><i>The schedule that was provided for project account was Ksh.6,170,434 and is hereby provided for your review and not Ksh.2,045,748.85</i></p> <p><i>The bank reconciliation and cash book for project account 2 is hereby provided for review</i></p> <p><i>Ksh.500,000 was lost in transit, investigation was done and the board was to make a decision on whether to surcharge or not.</i></p>	Resolved	30 th June, 2025

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	<p>reported separately under current liabilities;</p> <p>c) The project account cashbook balance was Kshs.2,045,749 while the financial statements reflect a balance of Kshs.6,170,434 resulting in an unreconciled variance of Kshs.4,124,685; and</p> <p>d) Review of cash count report as at year end indicated an amount of Kshs.500,000 as having been lost while in transit. There was however no evidence of management having instituted measures to recover the lost amount while its treatment in the financial statements is unclear.</p> <p>In the circumstances, the accuracy and fair statement of the reported cash and bank balances of Kshs.58,217,737 could not be confirmed.</p> <p>The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Chemelil Sugar Company Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical</p>			
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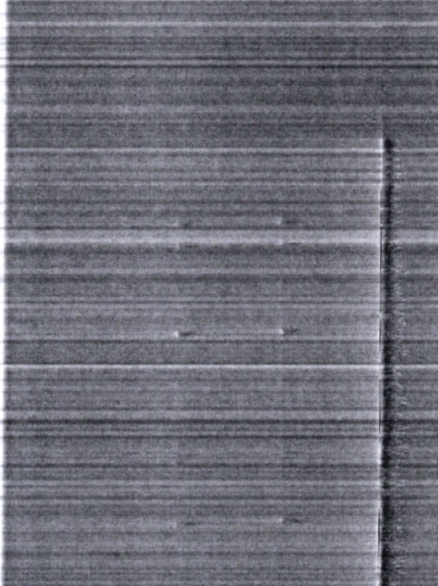
For the year ended June 30, 2025

	<p>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.</p>			
<p>3.0</p>	<p>Budgetary Control and Performance The statement of comparison of budget and actual amounts reflects total revenue of Kshs.2,054,694,484 against a final budget of Kshs.4,620,406,974 resulting in a shortfall of Kshs.2,565,712,490 or 56% of the budgeted revenue. The shortfall was mainly attributed to low sales of 14,776 tonnes of sugar against the budgeted of 47,209 tonnes attributed to cane shortage for the period June, 2023 to December, 2023 resulting to closure of the milling plant. In addition, the company made a loss of Kshs.103,813,493 instead of the budgeted surplus of Kshs.322,217,930. In the circumstances the Company's ability to continue operating as a going concern is doubtful. My opinion is not modified in respect of this matter</p>	<p><i>The sustainability of the company is certain following governments' effort on revitalizing the sugar industry. This is evident by the write off of liabilities worth Ksh.6 billion and also the reduction in the retain loss in the last 3 years.</i></p>	<p>Resolved</p>	<p>30th June, 2025</p>

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Ref No	Issue/Discrepancy/Audit Finding	Response	Status	Time Frame
4.0	<p>1.1 Long Outstanding Trade Payables</p> <p>The statement of financial position reflects a balance of Kshs.2,668,594,412 as disclosed in Note 34 to the financial statements. However, analysis of the trade payables ledgers provided for audit revealed that payables amounting to Kshs.277,846,374 related to invoices that were</p>	<ul style="list-style-type: none"> • <i>Settlement of current liabilities was hampered because of the cash flow constraints. Management have been in constant engagement with the creditors and former employees who are owed and have agreed in settlement of their dues through smaller instalments because of the financial difficulties the Company has been facing for a long period.</i> 	Unresolved	30 th June, 2025
	<p>outstanding for more than 120 days contrary to Regulation 150(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that subject to availability of funds and after proper certification of goods, works or service prompt payments are made within 60 days from the date of receipt of an invoice. In addition, the Company did not have credit policy to guide on debt settlement.</p> <p>Revaluation of Fully Depreciated Assets</p>			
	<p>1.2 Outstanding Tax Arrears</p> <p>Review of the accounts payables listing provided for audit revealed that the Company owed Kenya Revenue Authority an amount of Kshs.606,753,460 as at 30 June, 2024. The company</p>	<p><i>For tax arrears, the company has reached an agreement with KRA to settle Kshs.10million per month. (Appendix II) Sugar Development Levy of Kshs.474,109,867.13 could not be paid due to disbandment of Kenya sugar board whose mandate was to regulate the sugar industry and also give it back to the industry in terms of loans and services to</i></p>		

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	is at risk of incurring penalties and interest with the delayed settlement of taxes.	<i>farmers</i>		
5.0	<p>Long Outstanding Payroll Arrears and Unremitted Statutory Deductions</p> <p>An analysis of a list of payroll liabilities provided for audit revealed that payables amounting to Kshs.1,356,026,520 relating to non-remitted statutory payroll deductions such as NSSF, NHIF, Pension deductions and salary arrears remained outstanding as at 30 June, 2024 resulting in penalties on pension arrears of Kshs.134,294,245 which was avoidable if the statutory deductions are remitted on timely manner. In the circumstances, Management was in breach of law.</p>	<p><i>For salaries the government have shown interest of paying it. Auditing was done by the auditors from national treasury, and thereafter the list has since been submitted to AFFA for payment of the same. There was a disbursement by the National Treasury through AAFA of Ksh. 150,000, 0000 million for payment of the same. (Appendix III) So far, the company has made a commitment to settle the pension arrears on a monthly basis.</i></p>	Resolved	30 th June, 2025
6.0	<p>1.1 Non-Revaluation of Fully Depreciated Assets</p> <p>Review of the fixed assets register revealed assets classes at a historical cost of Kshs.77,428,941 including agricultural machinery and equipment, furniture and fittings and motor vehicles which had historical costs of Kshs.2,182,109,</p>	<p><i>The Company carries out revaluation of property plant and equipment every 5 years in line with IAS 16. The last revaluation was undertaken in 2018. Revaluation of assets ought to have been carried out by 30.06.2023. tendering process was done, and Tyson company was awarded. Due to financial constraints that the company had at that time we could not meet the demand of the supplier hence decline to do the revaluation of fixed assets. Attached are the</i></p>		

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<p>Kshs.50,259,040 and Kshs.24,987,792 respectively, but fully depreciated. It was however noted that the assets were still in use and ought to have been subjected to a revaluation in line with IAS 16.31 which states that revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.</p>	<p><i>document for the tender process. The concerns raised will be addressed while adopting the new revalued amounts in 2025/2026 financial year</i></p>		
<p>In the circumstances, the carrying values of the fully depreciated assets is not compliant with the reporting framework.</p>			
<p>1.2 Unutilised Irrigation Equipment</p>	<p><i>Furrow irrigation is operational and fields within the factory are under it. For sprinkler irrigation, it was costly for the company to continue operating it since it had worn out and was costly to maintain it and secure it. Therefore, the management decided to dismantle it and the parts are in field stores</i></p>	<p>Resolved</p>	<p>30th June, 2025</p>
<p>Review of the fixed assets register revealed idle sprinkler irrigation equipment valued at Kshs.4,743,218 which had been kept in store after stoppage of the irrigation project in 2017. The sprinkler is at risk of deterioration and continued loss in value</p>			
<p>1.3 Grounded Machinery Physical inspection of assets revealed twenty-eight (28) machineries were grounded and needed repair. However, there was</p>	<p><i>Delay in repair of Machinery was attributed by financial constraints and so far, the company has disposed some of the obsolete machineries. (Appendix IV)</i></p>		

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	<p>delay in undertaking the repairs which negatively impacted on service delivery.</p> <p>In the circumstances, the value for money on grounded and non-utilized assets could not be confirmed.</p>			
7.0	<p>1.1 Use of Asbestos in Estates Audit inspection of the Company's estates revealed that most of the buildings were roofed with asbestos contrary to the Environmental Management and Coordination (Waste Management) Regulations 2006 and the Occupational Safety and Health Act, No. 15 of 2007 which classify asbestos as hazardous waste.</p> <p>1.2 Hazardous Disposal of By-Product (Bagasse) Audit inspection on the disposal of bagasse revealed that a portion of bagasse was used to fuel the boiler while the rest was disposed-off nearby to the factory forming a huge heap. This was contrary to Occupational Safety and Health Act, No. 15 of 2007 and it poses the risk of catching fire and spreading it to the factory causing</p>	<p><i>In line with the Legal Notice No.121 of the Environmental Management and Coordination (Waste Management), Regulations 2006 as read with circular from the Cabinet Secretary, Ministry of Environment, Climate Change and Forestry dated 28th August, 2024, the Company has come up an estimated budget and plan of replacing the few asbestos roofs with galvanized iron sheets. Further to this, the Company commenced the procurement process for galvanized iron sheets as per attached copies of RTPs (Appendix V).</i></p> <p><i>The bagasse heap in the factory is stored and not disposed. The management is developing a policy of making the bagasse be a by-product.</i></p>		

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	<p>massive damages.</p> <p>In the circumstances, Management was in breach of law.</p>			
8.0	<p>Failure to File Annual Returns with the Registrar of Companies</p> <p>The Company has not filed its returns with the Registrar of Companies since 2015, in breach of the Companies Act, 2015. The Company continues to incur penalties with the delays in filing the annual returns.</p> <p>In the circumstances, Management was in breach of law.</p>	<p><i>The company is the process of getting its CR12 hence it will facilitate the filling of return.</i></p> <p><i>The company has since ensured that the regulation is put in place for imprest management of which if you fail it is recovered from the payroll.</i></p> <p><i>Due to lack of trust the prequalified suppliers insisted on cash payment and not cheque due to financial constraints the company was facing due to intermittent stopped of factory operation occasioned by shortage of cane and breakdowns</i></p>	Resolved	30 th June, 2025
9.0	<p>Irregularities in Imprest Management</p> <p>Review of Chemelil Sugar Company's imprest management system revealed that imprest holders surrendered imprests after lapse of more than 7 days while others held multiple imprests, contrary to Regulation 93(5) and 93(8) of the Public Finance Management (National Government) Regulations, 2015 which provides that,</p>	<p><i>The Company is alive to the provisions of the National Cohesion and Integration Act, 2008 Section 7 (1 and 2) which stipulates that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, and that no public establishment shall have more than one third of its staff from the same ethnic community. However, the major impeding factor has been the from Head of Public Service Circular Ref:OP/CAB.9/IA dated 7th February, 2022 captioned Recruitment of New Staff (Appendix VI), that put an embargo/restrictions</i></p>	Resolved	30 th June, 2025

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	<p>an officer must surrender an imprest within seven working days and cannot be issued with another imprest before surrender of the first one.</p> <p>Further, temporary imprests amounting to Kshs.1,408,718 were issued to officers for purchase fuel and air tickets for directors despite having prequalified suppliers in place who could render the services and bill the Company later.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p><i>on recruitment unless the Human Resource Instruments are approved. As a result, the recruitment process was halted from 2022 to date.</i></p> <p>_____</p>		
10.0	<p>Non-Compliance with Law on Ethnic Composition and Gender Parity</p> <p>Review of payroll records revealed that the Company had a total of 419 permanent staff members. However, 48% of the of the staff were from the dominant ethnic community contrary to Section 7(1 and 2) of the National Cohesion and Integration Act, 2008 which stipulates that all public establishments shall seek to represent the diversity of the people of Kenya in the employment</p>	<p><i>In order to comply with Section 175 (c) of the Constitution of Kenya, 2010, in relation to the two thirds gender rule in appointments, promotions and staff composition, Chemelil Sugar Company already developed and or reviewed all the Human Resource Instruments as guided by Officers from the Public Service Commission and in line with the Guidelines from the Commission. To this end a draft of the report was approved by the Board on Thursday 24th October, 2024 and forwarded to the Public Service Commission for final approval.</i></p>		

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	<p>of staff, and that no public establishment shall have more than one third of its staff from the same ethnic community.</p> <p>Further, of the 419 permanent staff, 80% of the work force were male and 20% were female contrary to Section B.22.(2) of the Public Service Commission Human Resource Policies and Procedures Manual, 2016 which states that, "the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than 2 /3 of positions in its establishment are filled by either gender."</p> <p>In the circumstances, Company was in breach of the law.</p> <p>The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The Standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a</p>			
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	basis for my conclusion.			
11.0	<p>1. Weaknesses in Information Technology Internal Controls (IT)</p> <p>During the year under review, the Company did not have an approved Information Technology Security Policy, IT Strategic Plan and IT Continuity Plan. As a result, critical data/information may not be recovered in case of occurrence of a disaster or cyber-attack.</p> <p>In the circumstances, the Company lacked effective Information Technology Internal Controls.</p> <p>3.0 Regularity of Human Resource Management Practices</p> <p>Review of human resources records and human resource management practices within the Company revealed the following anomalies;</p>	<p><i>The ICT policy is already in draft and has been forwarded for approval by the board and the draft was forwarded for review.</i></p>	Resolved	30 th June, 2025

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<p>3.1 Lack of an Approved Staff Establishment</p> <p>Review of records revealed that the Company did not have in place an approved staff establishment to indicate the authorized staffing levels for each category of employee and or any variance thereof. Further, no evidence was provided for audit to confirm the Company had carried out job evaluation to determine the staff requirements for each category.</p>		<p><i>In line with Public Service Commission Guidelines for Development and Review of Human Resource Management Instruments for State Corporations released in August, 2024 (Appendix VI) of last financial year, as read with Circular Ref:OP/CAB.9/IA dated 7th February, 2022 captioned Recruitment of New Staff (Appendix VII), Chemelil Sugar Company Limited has reviewed the Staff Establishment in liaison with the Public Service Commission Officers and the same has been approved by the Public Service Commission. The approved Staff Establishment is hereby attached though approved in the fy 2025-2026</i></p>	
		<p><i>In line with the Human Resource Policies and Procedures Manual for the Public Service, 2016, the Human Resource Department has prepared Human Resource Plans to support achievement of goals and objectives of Chemelil Sugar Company Strategic plan for the period 2022/23 – 2026/27. Circular Ref:OP/CAB.9/IA dated 7th February, 2022 captioned Recruitment of New Staff (Appendix VI), has compounded compliance of the same by putting restrictions on recruitment unless the Human Resource Instruments are approved. Consequently, the Company embarked on a rigorous exercise that brought together, the Public Service Commission Officers and Senior Management of Chemelil Sugar Company to review the said Human Resource Management Instruments. To this end a draft of the report was approved by the</i></p>	

<p>3.2 Lack of Human Resource Plans</p> <p>During the year under review, the Company operated without Human resource and recruitment plans as required by section B (2) of the Human Resource Policies and Procedures Manual 2016.</p>	<p><i>Board on Thursday 24th October, 2024 and forwarded to the Public Service Commission for final approval.</i></p>		
<p>3.3 Staff Serving in Acting Capacity</p> <p>Review of the payroll and the human resource records revealed that one hundred and thirty-one (131) employees had been serving in acting positions for more than 6 months; contrary to the Human Resource policy manual. It was also noted that the officers had been drawing acting allowances for the period under review.</p>	<p><i>Although Section 2.10.3 of Chemelil Sugar Company Human Resource Administration Policy states that an employee should have the minimum qualifications for the position to qualify for appointment to act in that capacity, the Circular Ref:OP/CAB.9/IA dated 7th February, 2022 captioned Recruitment of New Staff (Appendix VI), has compounded compliance of the same by putting restrictions on recruitment. Over the years, employees have exited Company service due to natural attrition but the Company has not been able to fill the vacant positions arising from such exits. As a result of the embargo, and in order to ensure smooth operations within the various Departments/Sections, the Company has had to continue engaging various members of staff on acting capacity for more than six (6) months. Additionally, our Human Resource Instruments are also yet to be approved. However, we have made efforts towards achieving compliance as per the attached correspondence with the Public</i></p>		

	<p><i>Service Commission (Appendix VIII).</i></p>			
<p>3.4 Accrued Leave Days</p>	<p>During the year under review, it was noted that several staff of Company had accumulated 14,744 leave days resulting in a leave liability amounting to Kshs.23,804,972; contrary to Section E.3(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which stipulates that annual leave is a right to every public officer and will be granted for recuperative purposes to enable the officer renew his energies and improve on efficiency.</p>	<p><i>Chemelil Sugar Company has continued to be committed to comply with Section E.3 of the Human Resource Policies and Procedures Manual for the Public Service 2016, however, the major impediment has been the shrinking pool of employees due to restriction on recruitment vide circular Ref:OP/CAB.9/IA dated 7th February, 2022 captioned Recruitment of New Staff (Appendix VI). As a result, Employees manning critical positions have accrued leave days because of lack of relievers. Nevertheless, the Company has made a deliberate move to reduce leave liability by releasing employees to proceed on leave as per attached Memo dated 14th March, 2024, 27th May, 2024 and 20th August, 2024 and this is attested in reduction of leave liability by 140 million. (Appendix IX)</i></p>		
<p>In the circumstances, leading human resource management practices and compliances with Human Resource Policies and Procedures Manual for the Public Service, 2016 could not be confirmed.</p>	<p>4 Low Yields Below the Industry Standard of 10%</p>	<p><i>The company is operating an old ageing machine hence its efficiency is slightly below the target. Due to financial constraints the company was not able to carry its annual maintenance however it does a weekly maintenance to ensure its efficiency is achieved</i></p>		
<p>Daily factory reports provided for audit indicated that the Company milled 230,479 tons of cane during the year and produced 15,824 or 15 % of</p>				

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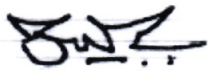
For the year ended June 30, 2025

	<p>the raw material conversion ratio (rendement) which is above the recommended threshold of 10%. This was contrary to Regulation 21(a) of the Crop Sugar Regulations, 2020 which provides that the miller shall strive to mill sugarcane efficiently to realize maximum returns for both parties by achieving the following standards; in the case of sugar cane, ton cane/ton sugar ratio of 9 or rendement of 10%.</p>			
	<p>In the circumstances, the efficiency of the factory was still below the standards set by the industry.</p>			
	<p>5 Under-Staffed Internal Audit function</p> <p>Review of the 2023/2024 internal audit work revealed that the internal audit function targeted nine (9) audit areas. However, it was noted that the audit covered only three (3) audit areas which includes Human resource, procurement and nucleus estate operation audit, this was attributed to understaffing in the department with only two (2) staff against the staff establishment of seven (7).</p>	<p><i>The advertisement was made but did not attract qualified personnel and the management decided to re-advertise and recruitment process is ongoing.</i></p>		

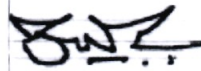
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	<p>to understaffing in the department with only two (2) staff against the staff establishment of seven (7).</p>			
	<p>In the circumstances, monitoring and review of the effectiveness of the internal controls, risk management systems and governance systems in the company could not be confirmed.</p>			
	<p>The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.</p>			



Managing Director



Chairman of the Board

Date... 28/08/2025

Date... 28/08/2025



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