

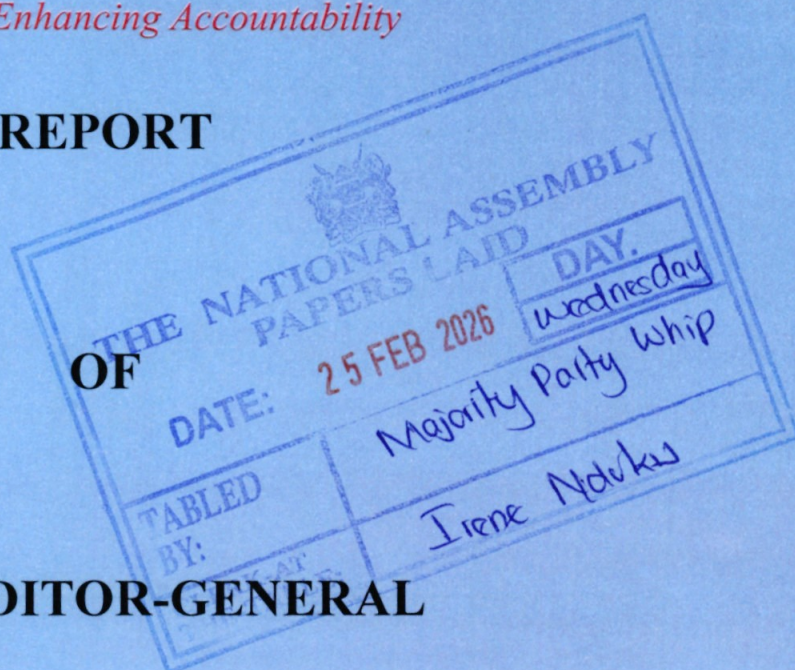
REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

ON

KENYA SUGAR BOARD

FOR THE SIX (6) MONTHS' PERIOD ENDED
30 JUNE, 2025



KENYA SUGAR BOARD

REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

30TH JUNE 2025

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public
Sector Accounting Standards (IPSAS)

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.

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1. Acronyms and Definition of Key Terms

A: Acronyms

CEO	Chief Executive Officer
KSB	Kenya Sugar Board
IPSAS	International Public Sector Accounting Standards
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFMA	Public Finance Management Act of 2012
PPE	Property Plant & Equipment
AFA	Agriculture and Food Authority
MBA	Master of Business Administration
CPAK	Certified Public Accountant of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
ENG	Engineer
NSSF	National Social Security Funds
PAYE	Pay As You Earn
SHA	Social Health Authority
AHL	Affordable Housing Levy
KALRO	Kenya Agricultural Livestock Research Organisation
HQ	Headquarter
ISO	International Sugar Organisation
SDL	Sugar Development Levy
MOALD	Ministry of Agriculture Livestock and Development

Kenya Sugar Board
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B: Definition of Key Terms

Fiduciary Management- Members of management directly entrusted with the responsibility of financial resources of the organization.

Board- Means Kenya Sugar Board as established under section 3 of the Sugar Act 2024.

(a) Background information

The Kenya Sugar Board is a state corporation under the Ministry of Agriculture and Livestock Development. It was established on 21st November 2024 by the Sugar Act No. 11 of 2024, and officially started operations as a state corporation on 1st January 2025 with the mandate to develop, regulate, and promote the sugar industry in Kenya. The Board is the successor to the Sugar Directorate under the Agriculture and Food Authority.

(b) Principal Activities

The functions of the Board are to:

- a. Regulate, develop and promote the sugar industry.
- b. Co-ordinate the activities of value chain actors within the industry; and
- c. Facilitate equitable access to the benefits and resources of the industry by all interested parties.

Without prejudice to the generality of subsection 1 the Board shall

- (a) Participate in the formulation and implementation of overall policies, plans and programs of work for the development of the industry;
- (b) Act as an intermediary between the industry and the Government;
- (c) Establish linkages with other government agencies and research institutions to enhance quality assurance and research and facilitate flow of research findings to the interested parties;
- (d) monitor and regulate the domestic market with a view to identify any distortion in the sugar market and advise the Government and interested parties on any corrective measures to be taken;
- (e) Advise the national and county governments on agricultural levies for purposes of planning, enhancing harmony and promotion of equity in the sugar industry.
- f) Facilitate the sale, import and export of sugar and sugar products; (g) promote and encourage the use of environmentally friendly technologies in the industry.
- (h) Provide advisory services to growers, out-grower institutions and millers;
- (i) In collaboration with county governments, implement an equitable mechanism for the pricing of sugar crop and appropriation of proceeds from the disposal of the by-products of sugar production between millers and growers as stipulated in the guidelines;
- (j) Collaborate with national and international trade bodies on sugar related matters;

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- (k) Oversee the formulation of standard provisions governing the mutual rights and obligations of growers, millers and other interested parties;
- (l) Collect, collate and analyse industry statistics and maintain a data base for the industry;
- (m) Register and license sugar and jaggeries, mills, exporters, importers and dealers;
- (n) Enforce and monitor compliance with standards along the sugar value chain;
- (o) Promote and advise on strategies for value addition and product diversification in the sugar industry;
- (p) In consultation with the county governments and other stakeholders, formulate a strategic plan for the sugar sub-sector at least once every five years;
- (q) In consultation with the county governments, formulate guidelines on an efficient, safe and economical transportation of sugar, sugar crop and disposal of unutilized by-products;
- (r) Gather and disseminate market information on regional and global supply chain dynamics for the benefit of stakeholders;
- (s) Establish linkages with various government agencies and research institutions to enhance quality assurance and research;
- (t) Ensure that there is adequate public participation and consultation with growers in its decision making affecting the sugar industry and its stakeholders;
- (u) Promote the efficiency and development of the industry through the establishment of appropriate institutional linkages

VISION

A world class facilitator of a globally competitive sugar industry for improved livelihood.

MISSION

“To sustainably develop, promote and regulate the sugar industry for economic growth and transformation.”

CORE VALUES

Teamwork

Integrity

Kenya Sugar Board
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Key Board Information and Management (continued)

Professionalism

Innovativeness

Customer Focus

(c) Key Management

The Board's day-to-day management is under the following key organs:

No.	Designation	Name
1.	Board of Directors - Chairman	Hon. Eng. Nicolas Gumbo
2.	Board of Directors - Member	Mr. Adhan Sheikh Abdullahi
3.	Board of Directors - Member	Ms. Evelyne Omondi
4.	Ag. Chief Executive Officer	Mr. Jude Chesire
5.	Ag. Director Finance	CPA. Johnson Ager
6.	Ag. Director Human Resource Development	Ms. Anne Maithya
7.	Ag. Director Internal Audit and Risk Assurance	Mr. Augustine Bisuche
8.	Director Legal Services	Mr. Andrew Osodo
9.	Director Market Research & Product Development	Ms. Patricia Njeru
10.	Ag. Deputy Director Corporate Communication	Ms. Margaret Limo
11.	Deputy Director Supply Chain Management	Mr. Kibichii Tomno
12.	Ag. Director Regulation & Compliance	Mr. Samuel Kemboi
13.	Ag. Director Technical & Advisory Services	Eng. Richard Magero
14.	Ag. Deputy Director ICT	Mr. Stephen Wanjala

Kenya Sugar Board
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Key Board Information and Management (continued)

(d) Fiduciary Management

The key management personnel who held office during the financial period ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Chief Executive Officer	Mr. Jude Chesire
2.	Ag. Director Finance	CPA. Johnson Ager
3.	Ag. Director Human Resource Development	Ms. Anne Maithya
4.	Ag. Director Internal Audit and Risk Assurance	Mr. Augustine Bisuche
5.	Director Legal Services	Mr. Andrew Osodo
6.	Director Market Research & Product Development	Ms. Patricia Njeru
7.	Ag. Deputy Director Corporate Communication	Ms. Margaret Limo
8.	Deputy Director Supply Chain Management	Mr. Kibichii Tomno
9.	Ag. Director Regulation & Compliance	Mr. Samuel Kemboi
10.	Ag. Director Technical & Advisory Services	Eng. Richard Magero
11.	Ag. Deputy Director ICT	Mr. Stephen Wanjala

(e) Fiduciary Oversight Arrangements

As at 30th June 2025, the Board had not been fully constituted and therefore lacked quorum to transact on behalf of the Board. The current Board members include the Chairman, representative of the Council of Governors and alternate to the Principal Secretary, The National Treasury. The process of composing the full Board members as provided for under Section 6 of the Sugar Act 2024 is ongoing.

(f) KSB Headquarters

P.O. Box 51500- 00200,
Sukari Plaza,
Off Waiyaki Way
Nairobi, KENYA

(g) Board Contacts

Telephone: (254) 722213027/28, 0733333378/9
E-mail: info@ksb.go.ke
Website: www.ksb.go.ke

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Key Board Information and Management (continued)

(h) Board Bankers

- 1 National Bank of Kenya
Harambee Avenue
P.O. Box 72866
City Square 00200
NAIROBI, KENYA
- 2 Cooperative Bank of Kenya
Coop House
P.O. Box 48231-00100
NAIROBI, KENYA
- 3 Kenya Commercial Bank
Kencom House
P.O. Box 48400- 00100
NAIROBI, KENYA

(i) Independent Auditor

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

Kenya Sugar Board
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Key Board Information and Management (continued)

3. The Board of Directors

Ref	Directors	Details
1.	Hon. Eng. Nicolas Gumbo 	Position: Chairman Nationality: Kenyan Date of Birth: 25/11/1965 Area of Expertise: Energy Auditor/Engineering Systems Designer/Information Systems Analyst Highest Academic Qualification: Masters Appointment Category: Appointed Appointed Date: 22nd November, 2024 Date of Expiry of the Board Member: 21st November 2027 (3 year)
2.	Ms. Evelyn Omondi 	Position: Member -Alternate to Ps State Department of National Treasury Ministry of National Treasury and Economic Planning Nationality: Kenyan Date of Birth: 10/10/1961 Area of Expertise: Accounting Highest Academic Qualifications: Bachelor of Commerce (Accounting) Appointment Category: Alternate to PS State, Department of National Treasury, Appointment Date: 11th March 2025 Term Expiry Date: Termination/Replacement by Representative Body - PS National Treasury
3.	Mr. Adhan Sheikh Abdullahi 	Position: Member – Representing Council of Governors Nationality: Kenyan Date of Birth: 20/09/1990 Area of Expertise: Strategic Planning, Financial Analyst, International Trade, Policy development and implementation Highest Academic Qualification: Masters Appointment Category: Appointed Date appointed: 17th January 2025 Term Expiry Date: Termination/Replacement by Representative body -Council of Governors

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4.	Mr. Jude Chesire 	Position: Ag CEO and secretary to the board Nationality: Kenyan Date of Birth: 04/07/1980 Area of Expertise: Law Highest Academic Qualification: Bachelor of Law Appointment Category: Ex - Officio Member
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As at 30th June 2025, the Board had not been fully constituted and therefore lacked quorum to transact on behalf of the Board. The current Board members include, chairman, representative of Council of Governors and alternate to the principal secretary National Treasury. The board is in a process of recruiting the remaining board members as per Section 6 of the Sugar Act 2024.

4. Key Management Team

	Management	Details
1.	Mr. Jude Chesire  Ag. Chief Executive Officer Qualifications and Membership to a Professional Body • Bachelor of Laws (Moi University) • Post Graduate Diploma in Law. • Advocate of the High Court of Kenya • Member of Law Society of Kenya	The CEO is responsible for the strategic direction and the day-to-day management of the Board. He oversees the exercise, discharge and performance of objective's objectives, functions and duties, and the general administration. CEO is also the Secretary to the Board.

Kenya Sugar Board
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2.	Mr. Andrew Osodo  Director Legal Services Qualifications and Membership to a Professional Body • Master of Business Administration (MU) • Bachelor of Laws (UoN) • Post Graduate Diploma in Law (KSL) • Member of ICPSK and advocate of the High Court	The Director Legal Services is responsible for Board's Secretariat and Legal Services.
3.	Ms. Ann Maithya  Ag. Director HR & Administration Qualifications and Membership to a Professional Body • Master of Business Administration - Human Resource Management, • Bachelor of Arts in Anthropology, • Member, Institute of Human Resource Management • Member of the Kenya Institute of Management	The Director Human Resource Development is responsible for the Human resource recruitment, development and among others and general administration.

Kenya Sugar Board
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4.	Mr. Stephen Wanjala  Ag. Deputy Director ICT Qualifications and Membership to a Professional Body • Post Graduate Program in Artificial Intelligence for Leader – University of Texas - Austin • Master's in information systems (USIU) • Bachelor of Science (BSc) Information Technology (JKUAT) • Higher Diploma in Institute for the Management of Information Systems (IMIS) - UK • CCNA, CCNP, MCSA, MCITP, MCPS, COBIT 5-Foundation, CEH, CISSP • Member of Computer Society of Kenya, ISACA	He is responsible in providing and promoting use of information communication technology in delivery of services towards realization of the Board Mandate.
5.	Mr. Augustine Bisuche  Ag. Director Audit & Risk Assurances Qualifications and Membership to a Professional Body • Bachelor of Commerce – Finance • MBA on going • CPA Section iv	The Director Internal Audit is responsible for assuring Management and the Board that internal control systems are in place and working and that the risk management framework is working in light of management awareness of risks and mitigation measures thereof.

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	• Member of Institute of Internal Auditors	
6.	Eng. Richard Magero  Ag. Director Technical & Advisory Services Qualifications and Membership to a Professional Body • MBA- Strategic Management • Bachelor of Science – Mechanical Engineering • Member of Engineers Board of Kenya	The Director provides guidance and advisory on sugar crop production, engineering, suga processing and infrastructural developmen in the sugar industry.
7.	CPA. Johnson Ager  Ag. Director Finance Qualifications and Membership to a Professional Body • MBA- Finance • Bachelor of Commerce (Accounting) • CPA (K) • Member of ICPAK	The Director Finance is responsible for Financial Accounting, Financial Management and Financial Reporting.
8.	Ms. Margaret Limo	The Deputy Director Corporate Communication is responsible for managing

	 Ag. Deputy Director Corporate Communication Qualifications and Membership to a Professional Body • Master of Science – Communication studies • Bachelor of Science – Communication & Public Relations • Member of Kenya Institute of Management and Public Relation Society of Kenya	Corporate Communications at Kenya Sugar Board.
9.	Ms. Patricia Njeru  Director Market Research & Product Development Qualifications and Membership to a Professional Body • Master of Agricultural Economics • Bachelor of Science – Agricultural Economics • Member of Economics Society of Kenya	The primary objective of the Director is to conduct market research and product development activities that help farmers and other industry stakeholders to better understand their markets, identify new opportunities, and develop products that meet their customers' needs.
10.	Mr.Samuel Kemboi	The Director oversee compliance with regulations, codes of conduct, and standards that relate to the sugar industry. The

	 Ag. Director Regulation & Compliance Qualifications and Membership to a Professional Body • MBA- Strategic Management • Bachelor of Science- Chemistry • Post Graduate Diploma in Leadership and Accountability	department also promote responsible and sustainable practices in the sugar industry by ensuring compliance with relevant regulations, codes of conduct, and standards it also helps to protect the stakeholders promote fair labour practices, and ensure the quality and safety of sugar products.
11.	Mr. Kibichii Tomno  Deputy Director Supply Chain Management Qualifications and Membership to a Professional Body • Masters of Science –Procurement & Logistics • Bachelor of Arts – Sociology & Philosophy • Post Graduate Diploma in Procurement and Supply(CIPS) • Member of Kenya Institute of Supply Management (KISM) and Chartered Institute of Procurement and Supply. CIPS	The Deputy Director Supply Chain Management is responsible for Supply Chain and Procurement and Disposal of unserviceable assets of the Board as per existing Regulations, Policies and relevant Statutes.

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12.	Ms. Azenath Makori  Ag Director Sugar Development Funds Qualifications and Membership to a Professional Body • MBA- Finance • Bachelor of Commerce (Accounting) • CPA (K) • Member of ICPAK	The department is in charge of loan portfolio management and resources mobilization on behalf of the Board.
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5. Chairman's Statement

This Annual Report and Financial Statements, covering the six-month period up to 30th June 2025, showcases the Board's strategic initiatives, operational milestones, and responsible use of financial resources. During this period, the Board continued to adopt and embrace innovative approaches in development and management of the sugar sector in its area of jurisdiction.

All the Board activities contribute towards realization of Sustainable Development Goals (SDGs), the Vision 2030, Medium Term Plan (MTP) IV, the Bottom-Up Economic Transformation Agenda (BETA) as well as devolution, as subsector primary production and processing activities are undertaken across the sugarcane growing counties.

During the six months ended 30th June 2025, the Board started drafting its 1st generation Strategic Plan 2025/26-2029/30 which will serve as a blueprint for the Board's operations. The draft Strategic Plan has been prepared against a backdrop of industry challenges which include occasional uncontrolled sugar imports, sugar price distortions, high cost of production, low productivity, inefficient production and climate change, which collectively affect the industry's competitiveness and sustainability.

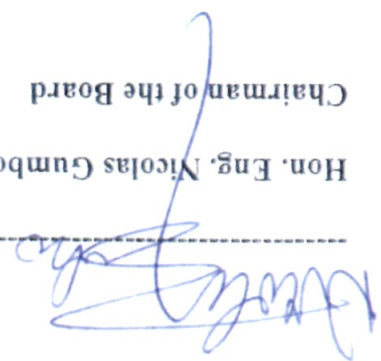
Amidst these challenges, the Government has embarked on transforming the industry through legal, policy and strategic interventions to push for economic improvement of the citizens' livelihood. This Strategic Plan prioritizes strengthening production, efficiency and value addition to enhance the ultimate benefits for all stakeholders. It seeks to stabilize the market and strengthen governance in the sugar sub-sector by widening space for all players.

The Strategic Plan has focus on five strategic issues namely:

1. Sub-optimal sugar production and declining farm-level productivity
2. The need for strong regulatory framework and enforcement that ensures compliance
3. Weak linkage of research, innovation, diversification and modern technology adoption coupled with limited partnerships
4. Mainstreaming of cross-cutting issues in the industry
5. Inadequate institutional resources, capacity and governance systems

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I wish to express my sincere gratitude to my fellow directors for their invaluable support and contributions that made the Board realise the successes in the period under review. I would also like to thank the Management and staff of the Board for their diligence and commitment, and other stakeholders for their collaborative efforts and support which was key in facilitating effective delivery of the Board's mandate.



Hon. Eng. Nicolas Gumbo
Chairman of the Board

Date- 10.12.2025

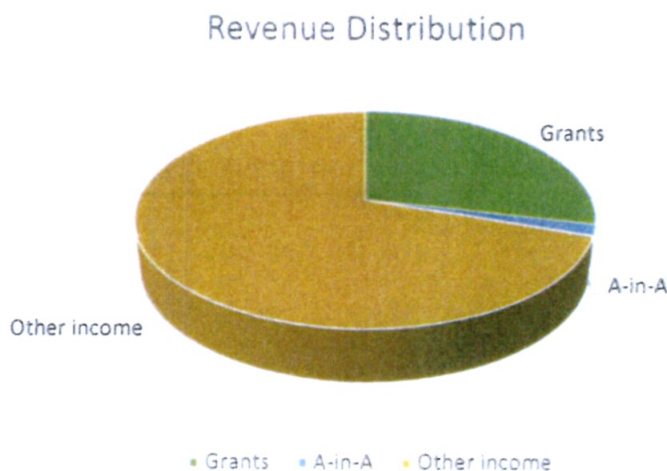
6. Report of the Chief Executive Officer

Kenya Sugar Board's financial statements for the six months ended 30th June 2025 demonstrate the Board's sustained development in operations and financial success. The statements have been prepared in line with the International Public Sector Accounting Standards (IPSAS) Accruals and the Public Finance Management Act 2012 that require management to make decisions, estimates, and assumptions that have an impact on the application of accounting principles as well as the reported quantities of assets, liabilities, income and costs. The statements provide an overview of the Board's activities over the six months ending 30th June, 2025 and presents a synopsis on utilization of allocated funds during the period.

I wish to take this opportunity to appreciate the Chairman of the Board of Directors and all the members of the Board for the enormous support, oversight and guidance extended to the management throughout the period. I further commend the management and staff of the Board for their unwavering effort that ensured that the Board remained steadfast in delivering its mandate effectively and efficiently during the period. I also extend my sincere gratitude to the Ministry of Agriculture and Livestock Development for the unwavering support during the period under review.

Operational performance

During the six months ended 30th June 2025, the Board received Kshs 425 million in form grants and Kshs 27 million as Appropriation in Aid. Additionally, Kshs 1,038.6 million was received from leasing of Government owned sugar mills as illustrated in the pie chart below.



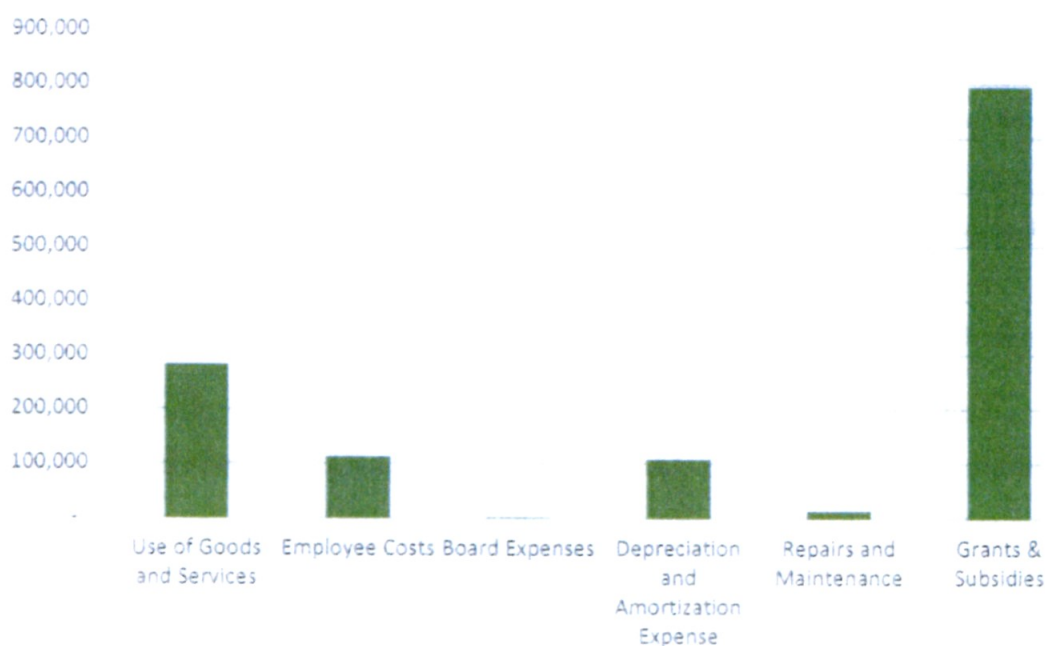
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Expenditures

The above income was utilized to support Board operations and payment of staff salary arrears of leased out Government owned sugar mills as analysed below;

DESCRIPTION	AMOUNTS KSH' 000'
Use of Goods and Services	282,061
Employee Costs	111,524
Board Expenses	838
Depreciation and Amortization Expense	106,649
Repairs and Maintenance	12,918
Grants & Subsidies (salary arrears)	794,748
Total Expenditure	1,308,737

Expenditures (ksh000)



Jude Chesire
Chief Executive Officer

Date-10/12/2025

7. Statement of Performance against Predetermined Objectives for the period ended 30th June 2025

During the review period, the Board had two strategic goals:

1. To operationalize the Sugar Act 2024, through the development and gazette of the following Regulations: The Sugar (General) Regulations 2025, the Sugar (Imports, Exports) Regulations 2025 and the Sugar Development Levy Order, 2025. In this regard, the following have been achieved:
 - a) The draft regulations were presented to the Joint Agriculture Sector Consultation and Coordination Mechanism (JASCOM) and the Sector Working Agriculture Group (SWAG) for review in January 2025.
 - b) Public participation on the draft regulations was carried out in all the sugarcane catchment areas in the period March – April 2025. A total of 2,596 stakeholders included sugarcane farmers, farmer organizations, sugar importers and exporters, sugar millers, and national and county Government officials were engaged.
 - c) The drafts Regulations (The Sugar (General) Regulations 2025 and the Sugar (Import, Exports) Regulation 2025) were subjected to Regulatory Impact Assessment (RIA)
 - d) The drafts have been submitted to the National Assembly and the Senate for their consideration before gazette.
 - e) The Sugar Development Levy Order, 2025 has duly been gazetted to facilitate collection of the Sugar Development Levy to finance the development of the sugar industry.
2. Constitution of the Board of Directors for the conduct of Board business. In this regard the following targets have been achieved:
 - a) Appointment of the Chairman of the Kenya Sugar Board by the Head of State
 - b) Appointment of Director to represent the Council of Governors
 - c) Appointment of the alternate Director representing the Principal Secretary for the National Treasury
 - d) Registration of all sugarcane farmers to facilitate democratic elections of grower representatives to the Kenya Sugar Board.

Kenya Sugar Board
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- e) Undertook public participation and validation of the Elections Procedures in all the sugarcane catchments areas. The stakeholders included Sugarcane farmers and farmer organizations, importers and exporters of sugar and by-products, sugar millers, national and county Government officials
- f) Submitted the procedures to the Cabinet Secretary, Ministry of Agriculture and Livestock Development for approval
- g) Mapped out and undertook farmer validation of the polling stations in all the sugar catchment areas

The Kenya Sugar Board is in the process of developing its 2025/26 – 2029/30 Strategic Plan. This plan will form the basis for the development, implementation and evaluation of Annual Performance Contracts, as guided by the State Department for Performance and Delivery Management.

8. Corporate Governance Statement

Kenya Sugar Board is a corporate body committed to adhering to and upholding the rule of law and in particular, the values and principles of good corporate governance. The Board of Directors and Management regard corporate governance as pivotal to the delivery of the Board's mandate and are committed to ensuring and sustaining the highest standards of conduct and accountability in accordance with the best practices and principles of corporate governance. These principles are applied throughout all levels of the Board.

Appointment and composition of the Board

The composition of the Board is as set out under the Sugar Act, 2024, Code of Conduct for State Corporations (Mwongozo), 2015 and the State Corporations Act, Cap 446. The Board's composition is expected to be twelve (12) members which includes an independent Non-Executive Chairperson, five (5) independent members elected by growers from each catchment area, two (2) by public and private owned sugar mills, Principal Secretary for matters relating to Agriculture, one person nominated by Council of Governors, the Principal Secretary, National Treasury and the CEO who shall be an ex-official member. The tenure of service for the Board Chairman and members is three (3) years renewable once in accordance with the Sugar Act, 2024.

Roles and responsibilities of the Board

The Board shall have all the powers necessary for the proper performance of its functions under the Sugar Act, 2024 including the power to—

- (a) Impose a levy or levies upon growers and millers for the purposes of giving effect to the provisions of this Act;
- (b) Control, supervise and administer the assets of the Board in such manner and for such purpose as best promotes the purpose for which the Board was established;
- (c) Receive any grants, gifts, donations or endowments and make legitimate disbursements therefrom;
- (d) Determine the provisions to be made for capital and recurrent expenditure and for the reserves of the Board;
- (e) lay down policy guidelines for the operations and management of all the funds collected by the Board;
- (f) Access all such relevant information as may be necessary for the efficient administration of the industry;
- (g) Enter into association with other bodies or organizations within or outside Kenya as the Board may consider desirable or appropriate and in furtherance of the purpose for which the Board is established; and
- (h) Open a banking account or banking accounts for the funds of the Board

Committees of the Board

As at 30th June 2025, the Board had not been fully constituted and therefore lacked quorum to transact on behalf of the Board. The current Board members include, chairman, representative of Council of Governors and alternate to the principal secretary National Treasury. The board is in a process of recruiting the remaining board members as per Section 6 of the Sugar Act 2024.

Board Remuneration

The Board paid to its members, such fees or allowances for expenses as determined by the Cabinet Secretary on the advice of the Salaries and Remuneration Commission, as provided for under Section 13 of Sugar Act 2024.

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Succession plan

Members of the Board under section 6(1)(a), (b), (c) and (e) of Sugar Act 2024 shall be appointed at different times so that their respective expiry of terms of office shall fall at different times.

Kenya Sugar Board
Report and Financial Statements
For the six months ended June 30, 2025.
9. Management Discussion and Analysis

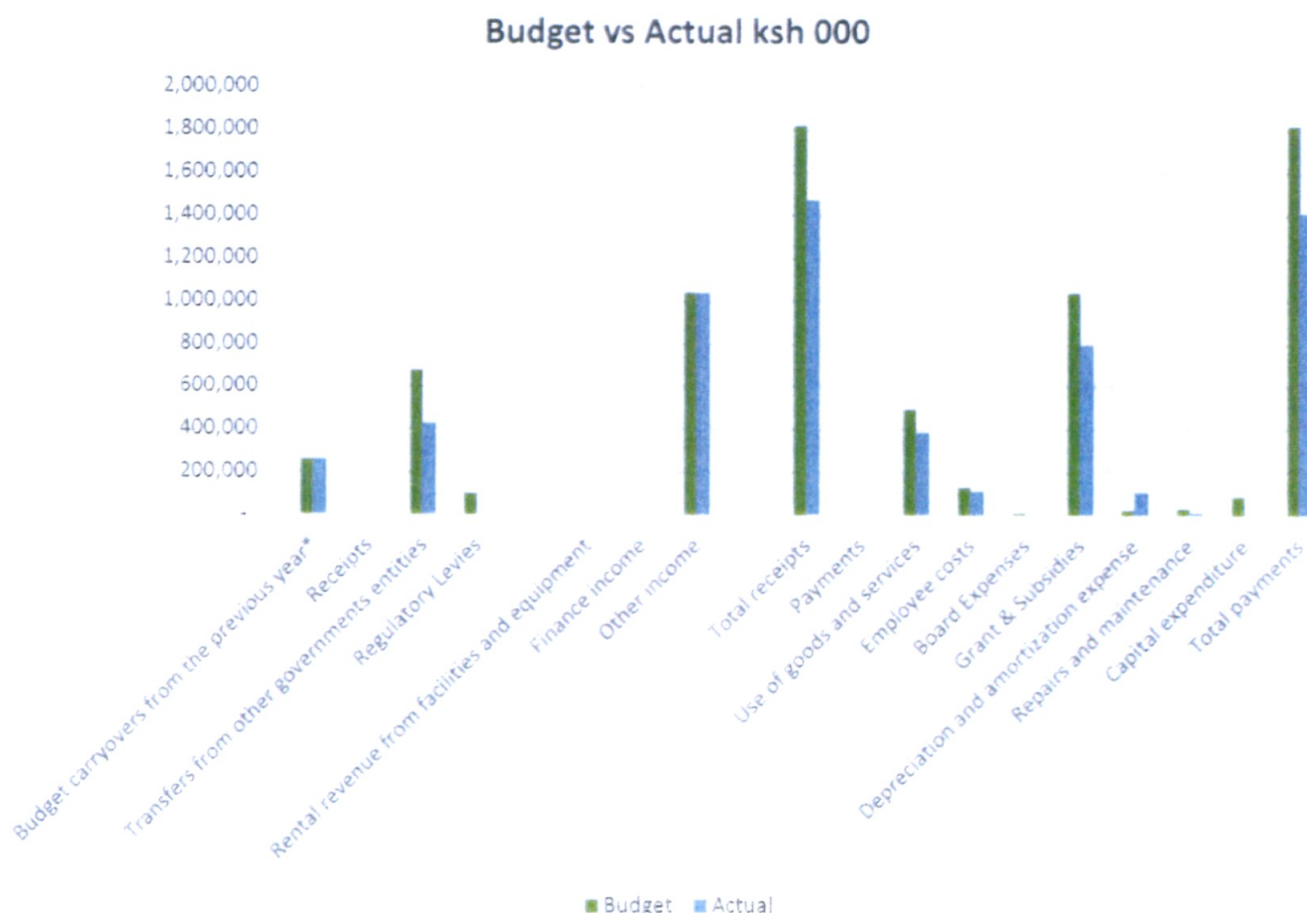
Operational and financial performance

The Board continued to execute its mandate in regulating, developing, and promoting the sugar industry, coordinating the activities of value chain actors within the industry, and facilitating equitable access to the benefits and resources of the industry by all interested parties.

During the period under review, the Board received recurrent grants amounting to Kshs 425 million against a budget of Kshs 675 million representing 63% and Appropriation in Aid of Kshs 27 million against the budget of Kshs 105.78 million, which represents 23%.

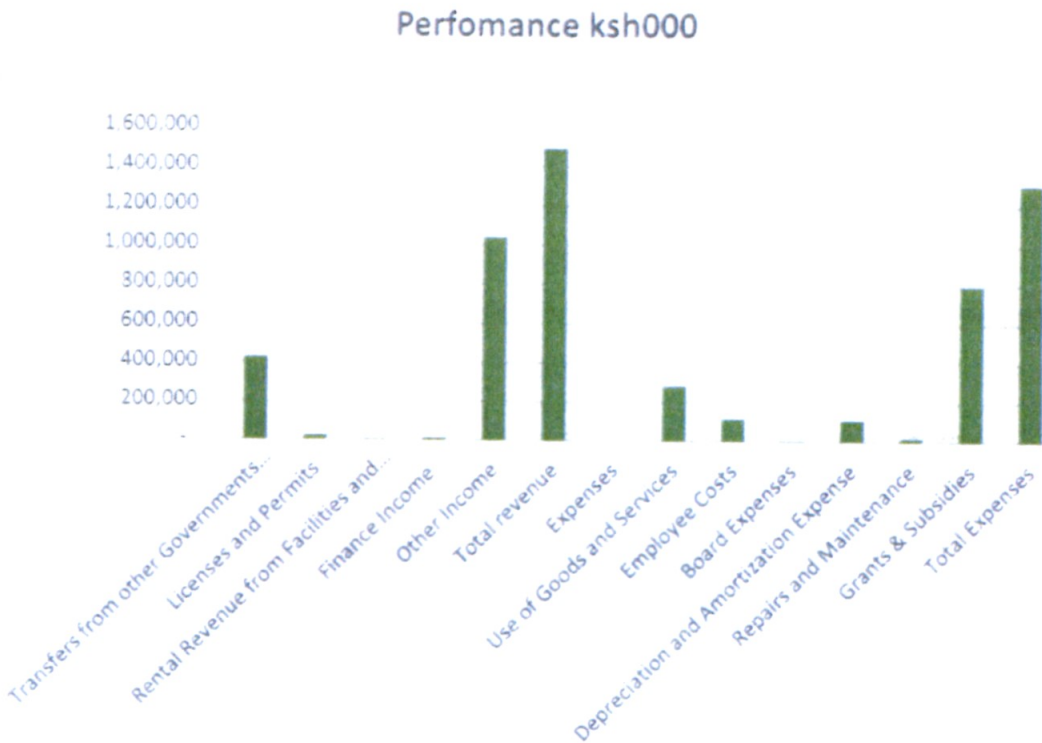
The expenditure during the six-month period includes: use of goods and services (Kshs 282.17 million), personnel emolument (Kshs 111.52 million), Board expenses (Kshs 0.84 million), repairs and maintenance (Kshs 12.92 million) and Grant and Subsidies (Kshs 794.75 million).

The graph below shows a comparison between budget and actuals for the six months ended 30th June 2025.



Performance

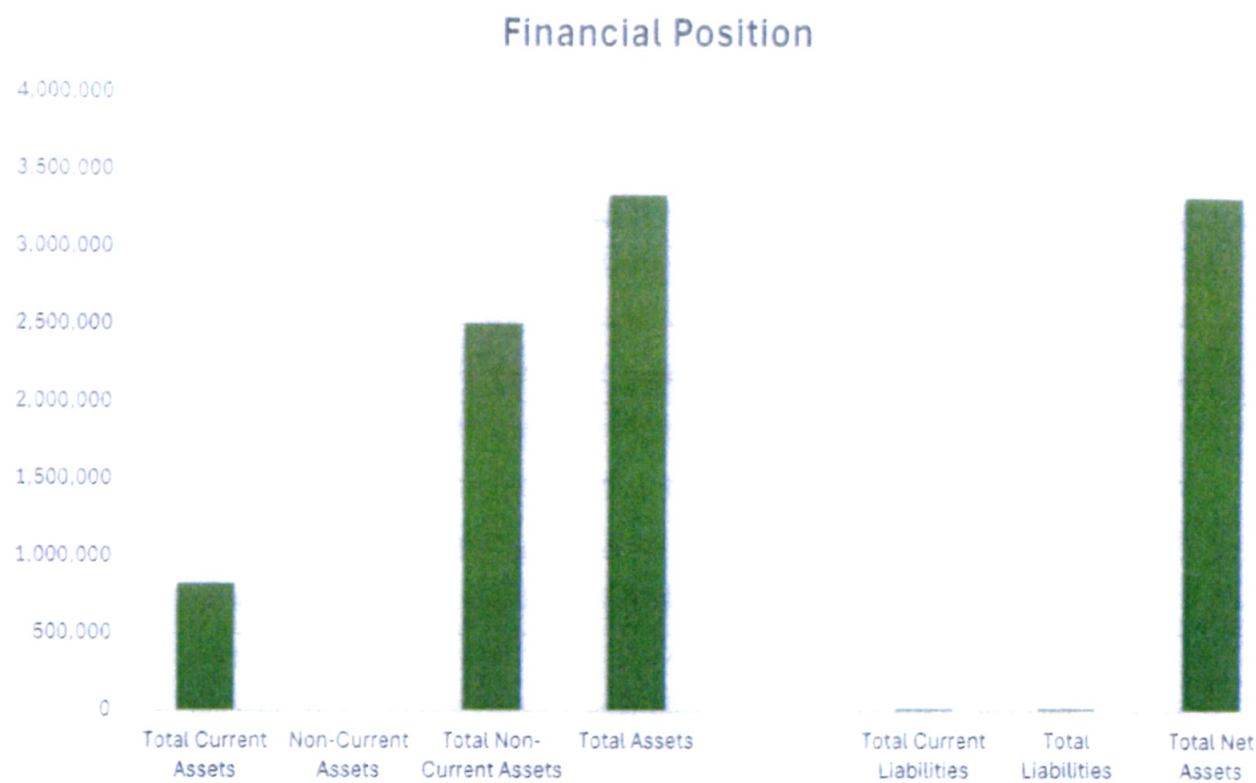
The graph below illustrates the actual revenue and expenditure for the six months ended 30th June 2025.



Position

The analysis of current assets, non-current assets, current liabilities, non-current liabilities and reserves for the financial six months ended 30th June 2025 are as illustrated below.

Kenya Sugar Board
Report and Financial Statements
For the six months ended June 30, 2025.



Compliance with Statutory Requirements

The Board complied with all legal provisions of the Acts which affects its operations for example the Public Finance Management Act, 2012, State Corporations Act and Tax laws including: PAYE, SHA, AHL and NSSF are up to date in terms of remittance and compliance.

i) Sustainability strategy and profile

The preparation of this annual financial report is informed by global political and macroeconomic trends that directly impact the sugar sector's sustainability priorities. Rising climate risks, global supply chain disruptions, and shifting trade policies continue to affect cost structures, investment flows, and market stability. In line with international best practice frameworks such as the UN Sustainable Development Goals (SDGs), the Kenya Sugar Board has embedded sustainability considerations into its financial oversight and policy framework. This includes prioritizing climate-smart practices – to this end the Board has embarked on a soil restoration project using bagasse-based biochar fertilizer blends; resource efficiency, and stakeholder inclusivity, while ensuring fiscal responsibility and compliance with statutory reporting standards. The Board's sustainability policy framework therefore serves as a basis for aligning financial performance with both national development objectives and internationally recognized sustainability benchmarks.

The Board has a Service Delivery Charter which is available on the website and on brochures distributed during all public engagements including agricultural shows and exhibitions, and field days. In the six months to June 2025, the Board, in an endeavour to operationalize the Sugar Act through the gazettelement of the various Regulations, engaged in extensive public participation. All Board procurements are publicized in the website and the Government publications of national circulation, with specific guidelines on the beneficiary groups in compliance with AGPO provisions.

ii) Environmental performance

The Kenya Sugar Board is guided by its Environmental Sustainability Policy, which commits the institution to responsible resource use, pollution reduction, biodiversity conservation, and alignment with international frameworks such as the UN Sustainable Development Goals (SDGs). Implementation of this policy has been integrated into both operational and financial decision-making processes, with emphasis on compliance, efficiency, and long-term sustainability of the sugar sector.

During the reporting period, the Board recorded notable progress in several areas. The automation of internal systems and adoption of paperless reporting reduced reliance on paper, while the phased reduction of single-use plastics was implemented across offices. In addition, the Board promoted climate-smart agriculture within the sector, including, in collaboration with the Kenya Sugar Research Institute, the promotion of drought-resistant cane varieties.

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At the same time, the Board recognizes key challenges. Limited financial resources slowed the full rollout of eco-friendly infrastructure, including green buildings with automated lighting and wider solar capacity. Biodiversity management efforts require scaling up, particularly increasing forest cover through tree planting initiatives. To mitigate these shortcomings, the Board has prioritized partnerships with development agencies and county governments to mobilize resources, enhance training, and implement phased adoption of green technologies.

Looking forward, the Board will continue embedding sustainability into its operations by expanding paperless systems, promoting waste reduction through the principles of reduce, reuse, and recycle, and enhancing its role in guiding industry players toward environmentally responsible practices. Through these measures, the Board seeks to demonstrate financial prudence while delivering measurable environmental impact and aligning with both national environmental policies and global sustainability standards.

iii) Employee welfare

The mandate of the Board is to develop, promote and regulate the sugar sector in Kenya to ensure compliance with the regulatory framework, standards, and codes of practice. In pursuit of the stated mandate, general staffing matters and requisite skills are very crucial and of paramount importance. In compliance with the best human resource management practices, the Board is guided by the Constitution of Kenya, the Employment Act, the Labor Relations Act, the Labor Institutions Act, the Occupational Health and Safety Act, and the Work Injury Benefits Act. In addition to the labor statutes in managing human resources, the Board refers to the Sugar Act 2024 and State Corporations Act, among others. To supplement the statutes, the Board also refers to the recently approved human resource instruments and government directives issued through circulars.

The Board recognizes that the well-being of its employees is central to the achievement of its mandate. During the six months period ended 30th June 2025, the Kenya Sugar Board continued to prioritize initiatives that enhance staff welfare, engagement, and productivity.

Key interventions included the provision of comprehensive medical insurance cover for all employees and their dependents, benefiting 100% of staff; the facilitation of 120 employees through capacity-building and professional development programs; and the provision of psychosocial support services, with over 70% staff uptake. Workplace safety was also strengthened through compliance audits and the adoption of improved occupational health and safety practices.

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To enhance employee relations, the Board held quarterly staff engagement forums, supported welfare initiatives such as bereavement that boosted teamwork and employee morale. In addition, staff welfare schemes were reviewed to align with best practices in inclusivity and sustainability.

These initiatives have contributed to a 15% improvement in staff satisfaction scores, a noticeable reduction in absenteeism, and an overall strengthening of organizational culture. The Board remains committed to fostering a motivated, healthy, and high-performing workforce that is well-positioned to drive the strategic objectives of the Kenya Sugar Board and deliver value to stakeholders.

iv) Market place practices-

The Board is committed to good marketplace practices, such as:

- Responsible and ethical marketing
- Responsible competition practices
- Compliance and adherence to the Public Procurement and Asset Disposal Act 2015 and the Public Procurement and Asset Disposal Regulations 2020.

The following efforts were made by the Board to promote fair market practices:

a. Responsible competition practice.

KSB carries out procurement and disposal of assets in strict conformity to the Public Procurement and Asset Disposal Act, 2015

, and its attendant Regulations, with its preferred procurement method being the Open Tender.

b. Responsible Supply chain and supplier relations

KSB ensures prompt debriefing of suppliers concerning their tender results. All contractual obligations are honoured while maintaining a cordial partnership with suppliers during contract execution.

c. Responsible marketing and advertisement or Responsible engagement with the citizens.

The Kenya Sugar Board recognizes that ethical marketing and responsible outreach are integral to maintaining public trust and ensuring accountability in the sugar sector. The Board is guided by its principles of communication and public engagement as guided by the Constitution of Kenya 2010, which emphasizes transparency, accuracy, inclusivity, and respect for all stakeholders.

In line with this, the Board consistently ensures that all information shared with stakeholders is factual, adequate, and timely. Outreach activities are conducted through regular media

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updates, website briefs, circulars, and consultative forums with farmers, millers, and other stakeholders. Additionally, factual up-to-date statistics and information is shared through the Board's Miwa Bora Mobile Application. Care is taken to respect cultural and social diversity in the preparation and dissemination of messages, thereby avoiding anti-social or discriminatory communication.

During the reporting period, the Board strengthened its stakeholder engagement by expanding consultative forums at county level, ensuring that feedback was incorporated into draft regulations and policy formulation. Media communication was kept factual and policy-based, with deliberate effort to provide consumers and stakeholders with accurate information on industry reforms, sustainability priorities, and sectoral performance.

The Board acknowledges the need for continuous improvement in outreach capacity, particularly through enhanced digital platforms and translation of materials into local languages to widen accessibility. To mitigate these gaps, investment in communication technology and staff training has been prioritized, ensuring that the Board continues to uphold the highest standards of ethical marketing and stakeholder sensitization.

d. Product stewardship or Awareness creation

The Kenya Sugar Board remains committed to safeguarding consumer rights and interests as part of its regulatory and public accountability mandate. In line with national laws and international best practices, the Board prioritizes the protection of consumer health and safety by enforcing quality standards across the sugar value chain. Adequate information is provided to stakeholders through media briefs, circulars, and the Board's website, enabling consumers to make informed choices.

Mechanisms for dispute resolution and redress have been strengthened through structured complaints-handling procedures and platform <https://sugarengage.go.ke>, consultative forums, and direct reporting channels, ensuring that stakeholder concerns are addressed fairly and promptly. In addition, the Board upholds data protection and privacy obligations by adopting secure systems for handling stakeholder information in compliance with the Data Protection Act, 2019. The Board is duly registered with the Office of the Data Protection Commission, reinforcing our role in protecting the rights and interests of both consumers and citizens while promoting transparency, accountability, and trust in the sugar industry.

v) Corporate Social Responsibility / Community Engagements

The Kenya Sugar Board (KSB), in collaboration with the Ministry of Agriculture and Livestock Development (MoALD), conducted public participation forums across key sugar-growing regions. The forums provided a platform for farmers, millers, county officials, and community representatives to contribute to policy processes relating to;

1. The Sugar (general) regulations, 2025 & The sugar imports and exports regulations, 2025,
2. The Draft Sugar Development Fund (SDF) Policy and Operations Manual,
3. The procedures for electing grower and miller representatives to the Board and the proposed polling centers within the catchment areas

The forums were held in the following areas for all the public participation activities: Chief's Centre Busibwabo Busia, Assistant County Commissioners' office –Simbachai (Olepito), Booker Stadium Mumias, Nabing'eng'e Chief's office (Naitiri), Nzoia Sugar training Centre compound Mukhenje friends church compound (Butali), Assistant County Commissioners' office (Kabras), Kipsitet ATC grounds, Mberere grounds, Assistant County Commissioners' office-Enoosaen (Transmara Sugar), Sony Sugar grounds, Chief's office Ndhiwa KALRO HQs – Nairobi, Pride Inn Nyali (Mombasa), Kid's care – Msambweni (Kwale).

The Board coordinated stakeholder mobilization, information dissemination, media coverage, and documentation of proceedings.

Objectives of the Forums

1. To create awareness and collect feedback on the Draft SDF Policy and Operations Manual.
2. To engage the Sugar (General) Regulations, 2025 & The Sugar Imports and Exports Regulations, 2025
3. To engage stakeholders on the draft procedures for electing grower and miller representatives to the Board.
4. To consult communities on the imposition and utilization of the Sugar Development Levy.
5. To sensitize stakeholders on Kenya's position in the amended International Sugar Organization (ISO) Agreement (1992).

Impact

1. Strengthened trust and transparency between KSB and stakeholders.
2. Improved awareness of industry policies, digital platforms and by-laws.
3. Greater inclusivity, ensuring farmer and miller voices are reflected in final policy drafts.

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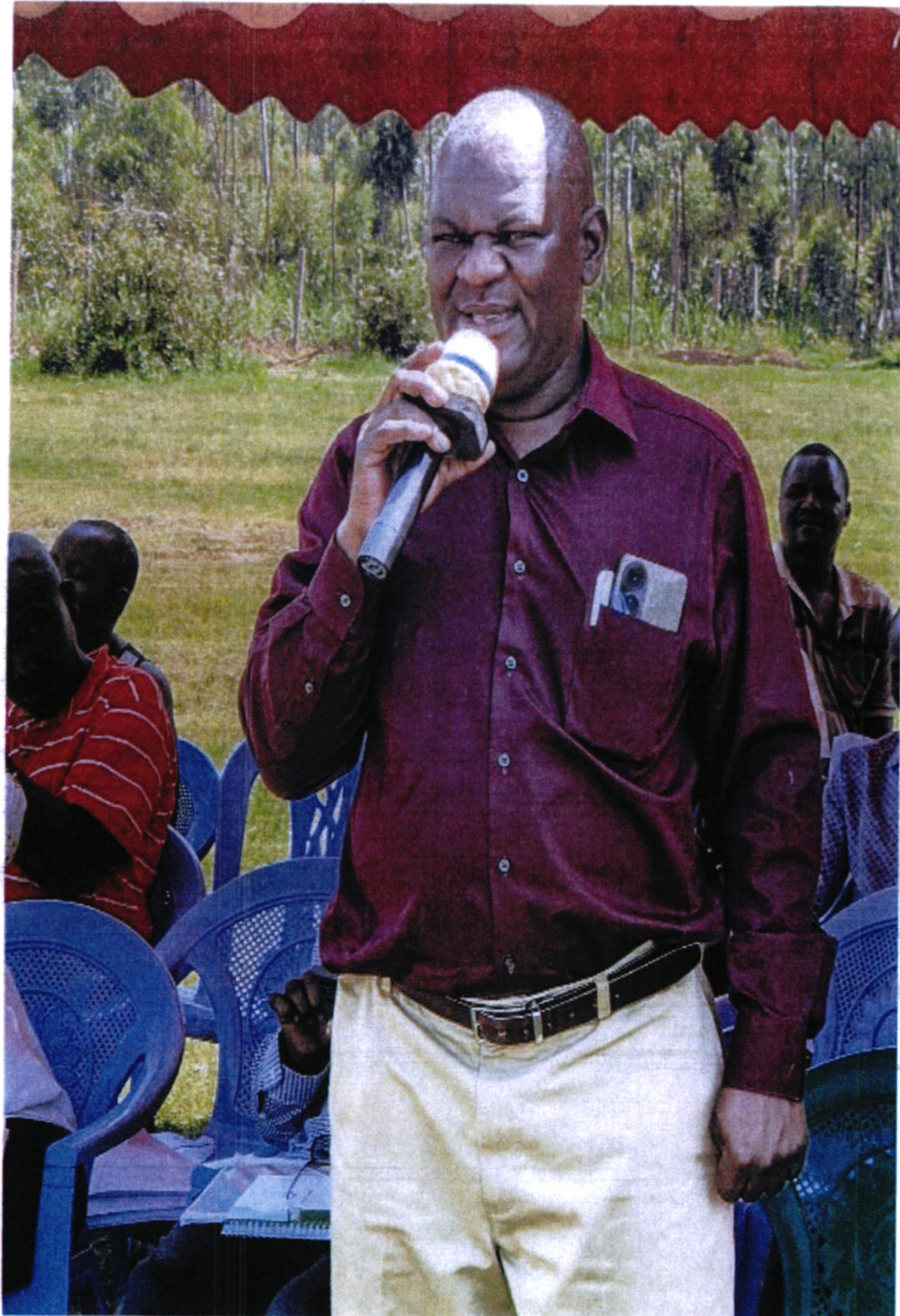
4. Concrete policy proposals generated for incorporation into the final SDF manual, SDL framework, and election procedures.



Public engagement on the draft Sugar Development Fund Operations Manual, 2025 and review of the proposed amendments on the International Sugar Organization (ISO) Agreement



Stakeholder engagement on the proposed polling centres within the catchment areas.



The Sugar (general) regulations,2025 & The sugar imports and exports regulations,2025

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11. Report of the Directors

The Directors submit their report together with the audited financial statements for the six months ended June 30, 2025, which show the state of the Board's affairs.

i) Principal activities

The principal activities of the Board are to;

- a. Regulate, develop and promote the sugar industry.
- b. Co-ordinate the activities of value chain actors within the industry; and
- c. Facilitate equitable access to the benefits and resources of the industry by all interested parties.

ii) Results

The results of Kenya Sugar Board for the six months ended June 30, 2025, are set out on page 14

iii) Directors

The members of the Board of Directors who served during the period are shown on page x. The chairman was appointed on 22nd November 2024 and the other two directors were appointed on 11th March and 17th January 2025 respectively.

iv) Auditors

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

By Order of the Board

ANDREW DESO

Date 10/12/2025

Name

Secretary to the Board

Kenya Sugar Board
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12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, Sugar Act, 2024) require the Directors to prepare financial statements in respect of that Board, which give a true and fair view of the state of affairs of the Board at the end of the financial period and the operating results of KSB for that period. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial six months ended 30th June 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board; (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 Board; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

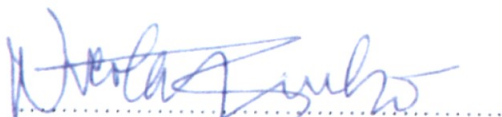
The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and the Sugar Act, 2024.

The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the six months ended 30th June 2025, and of the Board's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's 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 Board will not remain a going concern for at least the next twelve months from the date of this statement.

Kenya Sugar Board
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Approval of the financial statements

The Board's financial statements were approved by the Board on 10-12-2025 and signed on its behalf by:



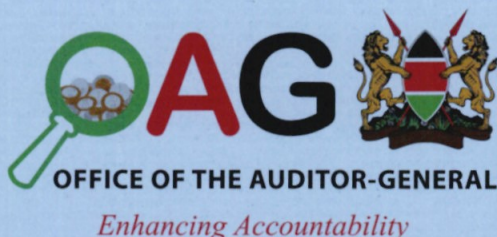
Name NICOLAS GUMBO
Chairperson of the Board



Name JUDE KIBWET CHEIRE
Chief Executive Officer

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA SUGAR BOARD FOR THE SIX (6) MONTHS' PERIOD 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 Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Sugar Board set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in

net assets, statement of cash flows and statement of comparison of budget and actual amounts for the six(6) months period ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Sugar Board as at 30 June, 2025 and of its financial performance and its cash flows for the Six (6) months then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), Sugar Act, 2024 and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.2,287,851,000 as at 30 June, 2025. However, the following anomalies were noted;

1.1. Work in Progress

The property, plant and equipment balance include a work in progress balance of Kshs.721,937,000 as disclosed in Note 20 to the financial statements. Review of the ledgers provided for audit to support the amount for work in progress revealed that the work in progress consist of a Pilot Project of Kshs.279,095,735 and upgrade of Sony and Nzoia Sugar Factories of Kshs.442,841,740. However, documents provided for audit indicated that certificate of practical completion and handing over certificates for construction of both SONY and Nzoia Cane Testing Units (CTU) at a cost of Kshs.442,841,740 were issued on 15 and 16 November, 2021. The CTUs was therefore not supposed to be reflected as work in progress but as completed projects and depreciated in the financial years 2022/2023, 2023/2024 and 2024/2025. Further, the Pilot Projects were completed in early year2000 but are still being reflected as work in progress instead of completed buildings and were not depreciated to reflect the correct value.

1.2. Failure to Revalue of Fully Depreciated Assets

Review of the schedule provided to support the balance revealed that property plant and equipment whose acquisition amount totalled Kshs.349,132,561 had been depreciated to zero value by 30 June, 2025.

Management did not revalue the assets which are still being used by the Kenya Sugar Board.

In the circumstances, the accuracy and completeness of the property plant and equipment balance of Kshs.2,287,851,000 could not be confirmed.

2.0 Inaccuracies in the Financial Statements

2.1 Statement of Changes in Net Assets

The statement of changes in net assets reflect total transfers from Agriculture and Food Authority of balance of Kshs.5,236,976,000. However, the recalculated total was Kshs.5,240,955,000 resulting in a variance of Kshs.3,979,000. This variance affected the total balance as at 30 June, 2025 which reflected Kshs.3,317,448,000 while the recalculated balance was Kshs.3,321,427,000.

In the circumstances, the accuracy and completeness of the statement of changes in net assets could not be confirmed.

2.2 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects use of goods and services actual on comparative basis amount of Kshs.384,138,000 while the statement of financial performance reflects an amount of Kshs.282,061,000 resulting in an unreconciled variance of Kshs.100,077,000.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed

3 Unsupported Amount in the Statement of Cashflows

The statement of cashflows reflects Kshs.76,788,000 as proceeds from investments under cash flows from financing activities. However, this amount was not supported with a disclosure note explaining the amount.

In the circumstances, the accuracy and completeness of the statement of cashflows could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts budget and actual amounts on comparable basis of Kshs.1,819,772,000 and Kshs.1,490,318,000 respectively resulting to an underfunding of Kshs.329,455,000 or 18% of the budget. Similarly, the statement reflects actual receipts amounts of Kshs.1,490,318,000 against actual expenditure of Kshs.1,412,926,000 resulting in an under absorption of Kshs.335,664,000 or 23% of total receipts.

Further, the statement of comparison of budget and actual amounts reflects a budget Kshs.100,000,000 in respect of regulatory levies respectively. However, the actual receipt was Kshs.19,934,000 resulting to under collection of revenue by Kshs.80,066,000 or 80% of the budget.

The underfunding and under absorption affected planned activities and may have impacted negatively on service delivery.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on page v to xxxix which comprise of the financial statements e.g. Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Authority for Investment of Surplus Funds

The statement of financial performance reflects Kshs.1,490,318,000 in respect to revenue from exchange transactions. Included in the amount is six (6) months finance income of Kshs.6,500,000 as reflected in Note 9 to the financial statements. Documents provided for audit and verified revealed that the Corporation was operating five Bank accounts which are generating interests on the principal amounts in various banks accounts as tabulated below. Two of the bank accounts are on call deposit investment, while the other three accounts are on collateral deposit accounts.

However, the Corporation Management did not provide authorizing letters from National Treasury contrary to circular DGIPE/A/1/10 of the National treasury that gave the Corporation authority to invest any surplus funds.

Further, Management did not provide call certificates on the deposits maintained on call investments accounts indicating the interests' rates that will be used to accrue interests on daily basis.

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

2. Failure to Integrate Climate Change Action Plans into Board's Strategies and Operations

Review of Kenya Sugar Board financial statements on page xxix on environmental and sustainability reporting, Statement of comparison of budget and actual amounts for the year ended 30 June, 2025, and the draft strategic plan document revealed that the entity did not factor in Climate change policy framework in its strategic alignment and financing of climate related functions. Further, there was no budget allocation on climate change and a designated unit / department with adequate staff and financial resources and an appointed senior officer as head of the unit, to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions within the corporation.

In the circumstances, the Board was in violation of the Integration Climate Change Action Plans law.

3. Failure to Pay full Lease Rental by Sugar Millers

Review of the signed lease agreements, cash book, ledger and bank statements provided for audit revealed that West Valley Sugar Company Limited was supposed to pay a total of Kshs.181,035,640 to Kenya Sugar Board being Kshs.80,080,000 for goodwill and Kshs.100,955,640 for lease rent of 2,523.891 hectares. However, by 30 June 2025, the company had paid a total of Kshs.160,000,000 in three tranches on 15 May 2025 thus leaving an unpaid balance of Kshs.21,035,640. Further, Busia Sugar Industries limited was expected to pay a total of Kshs.244,792,800 being Kshs.122,396,400 for goodwill and Kshs.122,396,400 for lease rent according to the lease agreement. However, by 30 June, 2025, the industry had paid a total of Kshs.239,600,000 thus leaving unpaid balance of Kshs.5,192,800. No proper explanation was provided as to why the unpaid balances from the two companies totalling to Kshs.26,228,440 had not been paid.

In the circumstances, value for money on the sugar company's rentals might not be achieved.

4. Inadequate Safeguarding of CTU Pilot Project Building at Nzoia Sugar Company

The audit verification of Nzoia Sugar factory Cane Testing Unit (CTU) revealed that the pilot building and other assets disclosed in the entity's asset register had significant non-existence and inadequate safeguarding of assets in the CTU Pilot Laboratory Building. During the audit, the assets inside the building such as furniture, and laboratory equipment, Computers and other ICT Equipment, were non-existent at the time of inspection. In addition, the building door was found unlocked, and the premises showed signs of vandalism, indicating lack of security and proper custody arrangements. Management failed to provide evidence of asset movement records, security measures, or status reports to support the existence and safeguarding of these assets.

In the circumstances, the effectiveness of the controls and safeguards on management of assets could not be confirmed.

5. Non-Preparation of Car and Mortgage Financial Statements

The statement of financial position reflects total Investment Mortgage of Kshs.126,837,000 as disclosed under staff Mortgage /Car loan to the financial statements. However, the Fund did not prepare financial statements for the scheme and submit them for audit as required by a Circular of 17 December, 2014 on Car Loan and Mortgage Schemes for State Officers and other Public Officers of the Government of Kenya.

In the circumstances, the Management is in breach of the law

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

Basis for Conclusion

1. The Constitution of the Board of Directors

During the year under review, the Board of Directors was not fully constituted. Out of the required twelve (12) Directors, only three (3) were in place including the Chairman,

Board alternate member representing the Principal Secretary Ministry of Finance and Board member representing the Council of Governors.

In the circumstances, effectiveness of the adequate controls and governance oversight to deal with systemic weaknesses could not be confirmed.

2. Lack of Policy Documents

Review of governance and policy documents revealed that the entity did not have in place a risk management policy, a finance policy and procedures manual, creditors and debtors' policies. These key policy documents had not been formulated. The absence of these key policy documents may have exposed the entity to operational inefficiencies, financial mismanagement, and increased susceptibility to fraud, as there is no standardized framework to guide the financial management, credit control, and debt recovery processes.

In the circumstances, the effectiveness of the risk management strategies, which includes fraud prevention mechanism and a system of risk management and internal control that builds robust business operations could not be confirmed.

3. Lack of an Audit Committee

The Board does not have a constituted Board of Directors and an audit committee to provide independent oversight of the internal audit function, as required for good corporate governance practices. In the absence of these governance structures, the internal audit unit reports directly to the Chief Executive Officer (CEO) without an independent body to review its work, approve its plans, or follow up on implementation of recommendations. This compromises the independence and objectivity of the internal audit function as it undermines the principles of separation of powers between management and oversight, thereby limiting the extent to which its work can be relied upon for assurance purposes.

In the circumstances, the entity did not benefit from the oversight role of the Audit Committee function.

4. Weak Controls in the Information System

Review of the IT Internal Control Systems of the entity revealed the following anomalies:

- i. The organization's structures have changed as stand-alone directorates reporting directly to the office of the CEO that are not integrated in the core system – ERP. ICT department which has the core mandate of ensuring smooth implementation of all systems is currently understaffed. The entity has only four (4) staff against the approved ICT departmental structure of six (6) staff.
- ii. The entity's core system – Navision is an old version system which was acquired and installed in 2016. The system cannot generate a complete and reliable accounting reports for the end user like inventory reports. In this regard, it was observed that the accounting ledgers retrieved from the system lacks key details like names of the payees, payment voucher numbers and in some instances payment descriptions were missing. The entity should consider upgrading the

system to business central system which is the latest improved version of Navision system.

In the circumstances, the reliability of IT controls in place to assure the confidentiality, integrity and availability of information could not be confirmed.

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

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) 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 Kenya Sugar Board'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 Kenya Sugar Board 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

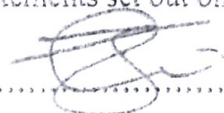
11 December, 2025

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.

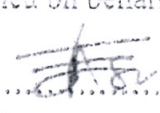
14. Statement of Financial Performance for the six months ended 30 June 2025

Description	Notes	Six months ended 30, June 2025 Kshs 000'
Revenue from Non-Exchange Transactions		
Transfers from other Governments Entities	6	425,023
Licenses and Permits	7	19,934
		444,957
Revenue from exchange transactions		
Rental Revenue from Facilities and Equipment	8	180
Finance Income	9	6,500
Other Income	10	1,038,681
Total revenue		1,490,318
Expenses		
Use of Goods and Services	11	282,061
Employee Costs	12	111,524
Board Expenses	13	838
Depreciation and Amortization Expense	14	106,649
Repairs and Maintenance	15	12,918
Grants & Subsidies	16	794,748
Total Expenses		1,308,737
Surplus Before Tax		181,581
Net Surplus for the Period		181,581

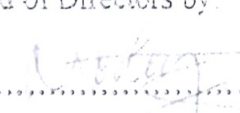
The notes set out on pages 8 to 50 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


.....

Name: **JUDE CHESIRE**
Chief Executive Officer


.....

Name: **JOHNSON AGER**
Head of Finance


.....

Name: **NICOLAS GUMBO**
Chairman of the Board

ICPAK NO: 3248

Date **10.12.2025**

Date **10.12.2025**

Date **10.12.2025**

KENYA SUGAR BOARD
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For the six months ended June 30, 2025.

15 Statement of Financial Position for the six months ended 30th June 2025

Description	Notes	Six months ended 30 June 2025 Kshs 000'
Assets		
Current Assets		
Cash and cash equivalents	17	496,868
Staff Mortgage Fund/Car loan		126,837
Current portion of receivables from exchange transactions	18(a)	199,874
Receivables from non-exchange transactions	19	4,981
Total Current Assets		828,560
Non-Current Assets		
Property, plant and equipment	20	2,287,851
Intangible assets	21	57,110
Long term receivables from exchange transactions	22	162,669
Total Non- Current Assets		2,507,630
Total Assets		3,336,190
Liabilities		
Current Liabilities		
Trade and other payables	23	14,763
Current Provision	24	-
Total Current Liabilities		14,763
Non-Current Liabilities		
Non-current Provision	25	-
Total Non- Current Liabilities		-
Total Liabilities		14,763
Net assets		
Revaluation Reserve		429,874
Accumulated surplus		2,884,653

KENYA SUGAR BOARD
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For the six months ended June 30, 2025.

Capital Fund		6,900
Grant Reserve		-
Total Net Assets		3,321,427
Total Net Assets and Liabilities		3,336,190

The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

		
.....		
Name JUDO KIGWOTI	Name JOHNSON AGER	Name NICHOLAS GUMBI
Chief Executive Officer	Head of Finance	Chairman of the Board
	ICPAK NO: 3248	

Date 10.12.2025	Date 10.12.2025	Date 10.12.2025
------------------------	------------------------	------------------------

KENYA SUGAR BOARD

Report and Financial Statements

For the six months ended June 30, 2025.

16. Statement of Changes in Net Assets for the six months ended 30 June 2025

Description	Notes	Revaluation Reserve Kshs '000	Retained Earnings Kshs '000	Capital Reserve Kshs '000	Grants Reserve Kshs '000	Total Kshs '000
Transfers from AFA		429,874	682,889	6,900	4,117,313	5,236,976
Adjustments to Accumulated Surplus			3,979			
Balance as at 1st January 2025		429,874	686,868	6,900	4,117,313	5,236,976
Surplus for the Period		-	181,581	-	-	181,581
Transfer to/from other reserves		-	4,117,313	-	(4,117,313)	-
Adjustments to Accumulated Surplus		-	(2,101,109)	-	-	(2,101,109)
Balance for the period ended 30, June 2025		429,874	2,884,653	6,900	-	3,317,448

Note: Opening cash and cash equivalents is shown in the statement of cash flows note 17 in the notes to the financial statements

KENYA SUGAR BOARD

Report and Financial Statements

For the six months ended June 30, 2025.

17. Statement of Cash Flows for the six months ended 30 June 2025

Description	Notes	Six months ended 30 June 2025
		Kshs 000'
Cash flows from operating activities		
Receipts		
Transfers from other governments entities	6	425,023
Rental revenue from facilities and equipment	8	180
Other income	10	1,038,681
Total receipts		1,463,884
Payments		
Use of goods and services	11	384,138
Employee costs	12	111,524
Board Expenses	13	838
Repairs and maintenance	15	12,918
Grants and subsidies	16	794,748
Total payments		1,304,165
Net cash flows from/(used in) operating activities		159,719
Cash flows from investing activities		
Purchase of PPE and Intangible assets	-	2,113
Increase in receivables from staff mortgage fund	-	2,299
Sale of investments	9	6,500
Net cash flows from/(used in) investing activities		2,088
Cash flows from financing activities		
Proceeds from Reserves		76,788
Net cash flows from financing Activities		76,788
Net increase/(decrease) in cash & Cash equivalents		238,595
Transfer of Cash and cash equivalents from AFA at 1 January 2025	17	258,273
Cash and cash equivalents at 30 June 2025	17	496,868

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For the six months ended June 30, 2025.

18. Statement of Comparison of Budget and Actual amounts for the six months ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs 000'	Kshs 000'	Kshs 000'	Kshs 000'	Kshs 000'	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Budget transfer from AFA as at 1 January 2025		258,273	258,273	258,273		
Receipts						
Transfers from other governments entities	675,022	-	675,022	425,023	250,000	63%
Regulatory Levies	100,000	-	100,000	19,934	80,066	20%
Rental revenue from facilities and equipment	216	-	216	180	36	83%
Finance income	5,784	-	5,784	6,500	(716)	112%
Other income		1,038,750	1,038,750	1,038,681	69	100%
		-	-	-	-	0%
Total receipts	781,022	1,038,750	1,819,772	1,490,318	329,455	
Payments						
Use of goods and services	492,705	-	492,705	384,138	108,567	78%
Employee costs	130,182	-	130,182	111,524	18,658	86%
Board Expenses	11,630	-	11,630	838	10,792	7%
Grant & Subsidies	-	1,038,750	1,038,750	794,748	244,002	0%
Depreciation and amortization expense	24,706	-	24,706	106,649	(81,943)	432%
Repairs and maintenance	31,800	-	31,800	12,917	18,883	41%
Capital expenditure	90,000	-	90,000	2,113	87,887	2%
Total payments	781,022	1,038,750	1,819,772	1,412,926	406,846	
Purchase of PPE		-	-		-	
Surplus for the period	(0)	-	(0)	335,664		

During the period under review, the Board received Kshs 1,038.6 million from leasing of Government owned sugar mills, which had been included the approved budget. The funds were earmarked specifically for settling outstanding salary arrears of employees in the leased institutions.

KENYA SUGAR BOARD
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For the six months ended June 30, 2025.

Budget Reconciliation

Surplus as per budget	335,664
Add: Depreciation	106,649
Add: Increase in reserves	76,788
Less: Staff mortgage fund (receivables)	- 2,299
Less: License & permit (Receivables)	- 19,934
Cash and cash equivalent	496,869

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
19. Notes to the Financial Statements

1. General Information

The Kenya Sugar Board is a state corporation established on 21st November 2024 under the Sugar Act No. 11 of 2024. The Board is wholly owned by the Government of Kenya and is domiciled in Kenya. The Board's principal activity is to develop, regulate and promote the sugar industry in Kenya.

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 Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Board's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Board. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Sugar Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the periods presented.

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

There were no new and amended standards issued in the financial period.

i. *New and amended standards and interpretations in issue but not yet effective in the six months ended 30 June 2025*

Standard	Effective date and impact:
IPSAS 43: Leases	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Board. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. Not applicable
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. Applicable on disposal of assets
IPSAS 45: Property Plant and Equipment	Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. Applicable in accounting for PPE
IPSAS 46: Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by:

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.

	i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. Applicable in measuring PPE
IPSAS 47: Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that a Board shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. Applicable in accounting for revenue
IPSAS 48: Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. Not applicable
IPSAS 49: Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. Not applicable
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.

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For the six months ended June 30, 2025.

	iii. Disclosures that identify and explain the amounts in the Board's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. Not applicable
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ii. Early adoption of standards

The Board did not early adopt any new or amended standards in the financial period.

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Taxes, Levies and fines

The Board recognizes revenues from taxes, levies, and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Board and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Board and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Board recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Board.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Board's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for the Current FY was approved by the National Assembly in February 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Board upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Board recorded additional appropriations of Kshs 1.038 Billion on the 2025 budget following the governing body's approval.

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

The Board'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 statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under section 18 of these financial statements.

c) Taxes

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 Board 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.

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 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 reassessed 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 period 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 Board and the same taxation Board.

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Board recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The Board applied the Straight Line Method for depreciating all fixed assets as follows: -

Asset	Depreciation Rate	Useful Life
Land		Leasehold period
Buildings	2.50%	40yrs
Plant & Equipment	12.50%	8yrs
Motor Vehicles	25.00%	4yrs
Computers	33.30%	3yrs
Office & Communication Equipment	12.50%	8yrs
Furniture, Fixtures & Fittings	12.50%	8yrs
Intangible Assets	20.00%	5yrs

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Board. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Board also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Board will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Board. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

h) Biological Assets

The Board recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the Board, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

i) Research and development costs

The Board expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Board can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

j) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Board does not have any hedge relationships. A financial instrument is any contract that gives rise to a financial asset of one Board and a financial liability or equity instrument of another Board. At initial recognition, the Board measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The Board classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Board's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless the Board has made irrevocable election at initial recognition for particular investments in equity instruments.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, the Board classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables 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 period end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Board

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The Board assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Board recognizes a loss allowance for such losses at each reporting date.

b) Financial liabilities

Classification

The Board classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

k) Provisions

Provisions are recognized when the Board has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Board expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Social Benefits

Social benefits are cash transfers provided to

- i) specific individuals and / or households that meet the eligibility criteria,
- ii) mitigate the effects of social risks and
- iii) Address the need of society as a whole. The Board recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Board will incur in fulfilling the present obligations represented by the liability.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

m) Contingent liabilities

The Board does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

n) Contingent assets

The Board does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

o) Nature and purpose of reserves

The Board creates and maintains reserves in terms of specific requirements.

p) Changes in accounting policies and estimates

The Board recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

q) Employee benefits

Retirement benefit plans

The Board provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Board pays fixed contributions into a separate Board (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the period in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum

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Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

s) Related parties

The Board regards a related party as a person or a Board with the ability to exert control individually or jointly, or to exercise significant influence over the Board, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

t) Service concession arrangements

The Board analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Board recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

measured at their fair value. To the extent that an asset has been recognized, the Board also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) 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 financial period.

v) Comparative figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The report does not have a comparative period

w) Subsequent events

There have been no events subsequent to the financial period ended with a significant impact on the financial statements for the period ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Board's financial statements in conformity with IPSAS 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. State all judgements, estimates and assumptions made:

Estimates and assumptions.

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 period, are described below. The Board based its assumptions and estimates on parameters available when the consolidated 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 Board. Such changes are reflected in the assumptions when they occur. IPSAS

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Board.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

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 24,25. 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.

KENYA SUGAR BOARD
Report and Financial Statements
For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	Six months period ended 30 June 2025
	Kshs "000"
Unconditional grants	
Operational grant	425,023
Total Unconditional Grants	425,023
Total government grants and subsidies	425,023

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Board sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund	Total transfers for the six months ended 2025
	Kshs "000"	Kshs "000"	Kshs "000"	Kshs "000"
Agriculture and Food Authority (AFA)	425,023	-	-	425,023
Total	425,023	-	-	425,023

This funds relate to funds received from the exchequer through Agriculture and Food Authority (AFA) to finance both recurrent and programmes of the Board. The above grants were received within six months based on the approved budget of the FY 2024/2025.

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Notes to the Financial Statements (Continued)

7. Licenses, Fees and Permits

Description	Six months ended 30 June 2025
	Kshs '000''
Licenses	19,934
Total	19,934

This relates to funds receivable for the issuance of licenses and permits and fees paid for services rendered such as licences on sugar importer, local sugar millers and also permits for molasses.

8. Rental Revenue from Facilities and Equipment

Description	Six months ended 30 June 2025
	Kshs '000''
Staff Houses	180
Total	180

9. Finance Income

Description	Six months ended 30 June 2025
	Kshs '000''
Cash investments and fixed deposits	6,500
Total finance income	6,500

It relates to interest from short-term deposits made within the financial period and a portion of interest income from short-term deposits that has been earned and received.

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For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

10. Other Income

Description	Six months ended 30 June 2025
	Kshs "000"
Leasing of Public sugar mills	1,038,590
Sales of year books and symposium booth	91
Total other income	1,038,681

Leasing of Public Sugar Mills relate lease of nuclear estate land and goodwill paid by lessee as per lease agreements whereas the other income is as a results of sale of year book of statistics and symposium booth.

11. Use of Goods and Services

Description	Six months ended 30 June 2025
	Kshs "000"
Collaborations and Coordination	15,480
Stakeholders Capacity Building	15,717
Environmental Sustainability	81
International Fora/Meetings	4,026
Seeds Supply & Management	45
Crop Census	252
Registration & Licensing	1,917
Inspections & Surveillance	6,103
Development and Review of Standards	55,521
Quality Analysis	45
Stakeholders Fora	37,458
International Fora/Meetings	300

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Enforcement of Regulations and Standards	110
Generic Promotion	1,085
Market Research & Development	5,767
Subscriptions to Associations	1,725
Product Promotion	5,975
International Conference	2,290
Value Addition Promotion	13,768
Market Registration	470
Printing and Stationery	4,347
Communication Telephone and Postage	6,299
Vehicle Running Expenses	5,818
Local Travel Expenses	39,598
Planning, Strategy and Research	76
International travel	3,965
Security	828
Electricity and water	1,866
Rent and rates	1,121
Computer Accessories	5,949
Newspapers, Periodicals, Journals and subscriptions	472
Advertising and Publicity	1,316
Bank Charges	993
Staff Welfare	4,993
Trainings, Seminar, Retreats, Workshops & Conferences	11,274
Consultancies	349

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Internal Audit/ ISO Audits	7,226
Legal Services	8,576
Public relations and corporate branding	410
Shows , Exhibitions & trade fairs	3,465
General Expenses	4,982
Total Use of Goods and Services	282,061

The expenditure relates to crop development, capacity building and technology transfer, compliance monitoring, surveillance, market research, product promotion, and other expenditure on the support functions such as legal services, training, motor vehicle expense, procurement of goods and services etc for the running of the Board programmes.

11b

Description	Kshs "000"
use of goods as per performance	282,061
Increase in receivables	77
Decrease in payables	102,000
Use of goods paid	384,138

12. Employee Costs

Description	Six months ended 30 June 2025 Kshs "000"
Salaries and wages	68,923
Employer contribution to pension schemes	11,509
Housing benefits and allowances	13,109
Social contributions	4,016
Other employee related costs	13,967
Employee costs	111,524

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Other employee related costs relates to employees cost such as commuter allowances, entertainment allowance, leave allowances, acting and special allowances and transfer allowance.

13. Board Expenses

Description	Six months period ended 30 June 2025
	Kshs "000"
Chairman/Directors' Honoraria	518
Sitting Allowances	215
Travel and Accommodation	105
Total	838

The above cost relates to expenditure for three Board of Directors who have been in the office during the period under the review and contains chairman honoraria sitting allowance.

14. Depreciation and Amortization Expense

Description	Six Months ended 30 June 2025
	Kshs "000"
Property, plant and equipment	92,273
Intangible assets	14,376
Total depreciation and amortization	106,649

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Notes to the Financial Statements (Continued)

15. Repairs and Maintenance

Description	Six months ended 30 June 2025
	Kshs '000'
Property	5,952
Vehicles	4,141
Furniture and fittings	13
Office & communication equipment	2,750
Computers and accessories	51
Borehole maintenance	11
Total repairs and maintenance	12,918

This relates to expenditure on repairs and maintenance of the Board's assets.

16. Grants and Subsidies

Description	Six months ended 30 June 2025
	Kshs '000'
Sony staff arrears	225,623
Muhoroni staff arrears	175,575
Nzoia staff arrears	200,296
Chemelil staff arrears	189,225
Factory Staff Arrears (union dues)	4,029
Total	794,748

The expenditure relates to the salaries and union dues paid to employees of Sugar Public mills as per the leasing agreement.

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For the six months ended June 30, 2025.
Notes to the Financial Statements (Continued)

17. Cash and Cash Equivalents

Description	Six months ended 30 June 2025	Transfer from AFA as at 1 st January 2025
	Kshs "000"	Kshs "000"
Current Account	64,453	125,862
On - Call Deposits	432,415	132,411
Total Cash and Cash Equivalents	496,868	258,273

Detailed Analysis of the Cash and Cash Equivalents

DESCRIPTION		Six months ended 30 June 2025	Transfer from AFA as at 1 st January 2025
Financial institution	Account number	Kshs 000	Kshs 000
a) Current account			
Co-Operative Bank	01141588031600	12,754.42	82,147.55
Co-Operative Bank	01120012923300	142.99	146.39
National Bank Of Kenya	01001031599900	51,525.84	43,539.71
National Bank Of Kenya	01001033092200	29.77	29.77
Sub- total		64,453.01	125,863.42
b) On - call deposits			
National Bank Of Kenya	7712328684	81,223.01	81,223.01
Co-Operative Bank	01105880316001	300,000.00	-
Sub- total		381,223.01	81,223.01
c) Fixed deposits account			
Euro Bank	9361217310055009	51,192.22	51,188.24
Sub- total		51,192.22	51,188.24
d) Staff car loan/ mortgage			

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Kenya Commercial Bank	1112738320		167,020.25
National Bank Of Kenya	01098000544304	83,695.78	83,695.78
National Bank Of Kenya	01098000544301	23,281.01	22,886.97
National Bank Of Kenya	7717161206	19,859.81	18,595.33
Sub- total		126,836.60	292,198.33
Grand total		623,704.84	550,473.01

18. Receivables from Exchange Transactions

(a) Receivables from Exchange Transactions

Description	Six months ended 30 June 2025
	Kshs "000"
Current receivables	
Other Debtors	-
Receivable from AFA	187,594
Interest Receivable	12,280
Total current receivables	199,874

This relates to accounts receivables arising from interest/License and mortgage receivables. Included in receivable from AFA is Kshs 167,660,224 and Kshs 19,934,150 for mortgage and license fee receivables respectfully

(b) Receivables from Exchange Transactions (Long-term)

Description	Six months ended 30 June 2025
	Kshs "000"
Total Receivables	
Levy Arrears	162,669
SDF Receivables	-
Total non-current receivables	162,669

This relates to long-term receivables from Levy arrears and Sugar Development Fund (SDF).
Notes to the Financial Statements (Continued)

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(c) Ageing analysis for Receivables from exchange transactions

Description	Six months ended 30 June 2025	
	Kshs '000'	
	2024/25	% of the total
Less than 1 year	191,795	52.90
Between 1- 2 years	8,079	2.23
Over 3 years	162,669	44.87
Total (a+b)	362,543	100

19. Receivables from Non-Exchange Transactions

Description	Six months ended 30 June 2025
	Kshs "000"
Staff Advance	8
Other Receivable	4,973
Total current receivables	4,981

This relates to amounts owing from staff and deposits for the fuel and other services which require security deposits.

Description	Six months ended 30 June 2025	
	Kshs '000'	
	2024/25	% of the total
Between 1-2	3,425	68.76
s		
Over 3 years	1,556	31.24
Total	4,981	100

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Notes to the Financial Statements (Continued)

20. Property, Plant and Equipment

	Free Hold Land	Buildings	Plant and Equipme nt	Automobi les	Compute r and Electroni c Equipme nt	Office and Communicat ion Equipment	Furniture and Fittings	WIP	TOTAL
Cost	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000
Transfers from AFA	382,500	453,076	1,216,866	82,224	79,118	58,354	39,510	721,937	3,033,587
Additions	-	-	-	-	2,113	-	-	-	2,113
Six Months period ended 30 June 2025	382,500	453,076	1,216,866	82,224	81,231	58,354	39,510	721,937	3,035,700
Depreciation and Impairment									
Transfers from AFA	-	50,501	383,515	65,049	72,141	50,918	37,430	-	659,554
Depreciation for the six months period ended 30 June 2025	-	5,663	76,054	4,267	5,471	630	187	-	92,273

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Transfer/Adjustment	-	(734)	(3,245)	-	-	-	-	-	(3,979)
Six months period ended 30th June 2025	-	55,431	456,325	69,316	77,613	51,548	37,617	-	747,848
Net Book Values									
As at 30th June 2025	382,500	397,646	760,541	12,909	3,618	6,806	1,893	721,937	2,287,851
Transfer from AFA as at 31st December 2024	382,500	402,576	833,351	17,175	6,977	7,437	2,080	721,937	2,374,033

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Notes to the Financial Statements (Continued)

20 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs 000	Kshs 000	Kshs 000
Land	382,500	-	382,500
Buildings	453,076	55,432	397,646
Plant And Machinery	1,216,866	456,325	760,541
Motor Vehicles, Including Motorcycles	82,224	69,316	12,909
Computers And Related Equipment	81,231	77,613	3,618
Office Equipment, Furniture, And Fittings	97,864	89,165	8,700
WIP	721,937	-	721,937
Total	3,035,700	747,849	2,287,851

Property plant and Equipment includes the following assets that are fully depreciated:

Category of Assets	Cost/Valuation	Normal annual depreciation charge
Description	Kshs 000	Kshs 000
Motor vehicles, including motor cycles	48,090	12,022.5
Computers and related equipment	75,530	25,177
Office equipment, furniture and fittings	84,452	10,556.5
Software	986	198
Total	209,058	47,954

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Notes to the Financial Statements (Continued)

Work in Progress relate to upgrade of Nzoia and Sony Cane Testing Units (CTUs). The Overall objective of the Cane Testing Units was to enable Kenya Sugar Industry transform from the current weight-based system to quality-based cane payment system.

21. Intangible Assets

Description	Six months ended 30 June 2025
	Kshs '000
Cost	
Transfers from AFA	143,762
At the beginning of the period	<u>143,762</u>
Amortization	
At 1st January 2025(Transfers from AFA)	72,276
Charge for the Period	14,376
For the period ended 30th June 2025	<u>86,652</u>
Net Book Value	
For the period ended 30th June 2025	<u>57,110</u>

22. Long term receivables from exchange transactions

Description	Six months ended 30 June 2025
	Kshs '000'
Total Receivables	
Levy Arrears	162,669
SDF Receivables	-
Total non-current receivables	162,669
Total receivables (a+b)	162,669

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Notes to the Financial Statements (Continued)

23. Trade and Other Payables

Description	Six months ended 30 June 2025	
	Kshs 000'	
Trade payables	14,756	
Employee payables	7	
Total trade and other payables	14,763	
Ageing analysis: (Trade and other payables)		% of the Total
Under one year	14,763	100
1-2 years	-	-
Total (tie to above total)	14,763	

This comprises money owed to suppliers and payroll liabilities as at 30th June 2025.

24. Current Provisions

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	Kshs000	Kshs000	Kshs000	Kshs000	Kshs000
Transfers from AFA	-	-	-	3,143	3,143
Transfers	-	-	-	3,143	3,143
Total provisions period end	-	-	-	-	-

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Report and Financial Statements
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Notes to the Financial Statements (Continued)

25. Non-Current Provisions

Description	Other Provisions	Total
	Kshs000	Kshs000
Transfers from AFA	771,597	771,597
Transfers to accumulated reserve	- 771,597	- 771,597
Balance at the end of the period	-	-

Cash Generated from Operations

Description	Six months ended 30, June 2025 Kshs
Surplus for the period before tax	181,581
Adjusted for:	
Depreciation	106,649
Finance income	- 6,500
Working capital adjustments	281,730
Increase in mortgage	167,660
Increase in receivables	- 187,672
Increase in payables	- 102,000
Net cash flow from operating activities	159,719

26. Financial Risk Management

The Board's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Board's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Board does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Board's financial risk management objectives and policies are detailed below:

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Notes to the Financial Statements (Continued)

i) Credit risk

The Board has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Board's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs 000	Kshs 000	Kshs 000	Kshs 000
As at 30th June 2025				
Receivables from exchange transactions	362,543	199,874	162,669	-
Receivables from non-exchange transactions	4,981	4,981	-	-
Bank	496,868	496,868	-	-
Total	864,392	701,723	162,669	-

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Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Board has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Board has significant concentration of credit risk on amounts due. The board of directors sets the Board's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board's directors, who have built an appropriate liquidity risk management framework for the management of the Board's short, medium and long-term funding and liquidity management requirements. The Board manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Board under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 6 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs000	Kshs000	Kshs000	Kshs000
As at 30th June 2025				
Trade payables	13,325	1,250	181	14,756
Employee payables	7	-	-	7
Total	13,332	1,250	181	14,763

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Financial Risk Management

iii) Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Board on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Board's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Board's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Board's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The Board has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Board manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

Interest rate risk is the risk that the Board's financial condition may be adversely affected as a result of changes in interest rate levels. The Board's interest rate risk arises from bank deposits. This exposes the Board to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Board's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

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Financial Risk Management

Sensitivity analysis

The Board analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Board's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Board considers relevant and observable market prices in its valuations where possible.

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Financial Risk Management

The following table shows an analysis of financial and non-financial instruments recorded at fair value by level of the fair value hierarchy:

There were no transfers between levels 1, 2 and 3 during the period. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the Board's capital risk management is to safeguard the Board's ability to continue as a going concern. The Board capital structure comprises of the following funds:

Description	Six months ended 30 June 2025
	Kshs
Revaluation Reserve	429,874
Retained Earnings	2,884,653
Capital Reserve	6,900
Grant Reserve	-
Total Funds	3,321,427
Less: Cash and Bank Balances	496,868
Net Debt/(Excess Cash And Cash Equivalents)	2,824,450
Gearing	0

27. Events after the Reporting Period

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

28. Ultimate and Holding Board

The Board is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Agriculture and Livestock Development. Its ultimate parent is the Government of Kenya.

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29. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	This is the first financial statement and report since inception of Kenya Sugar Board under Sugar Act of 2024, therefore there were no audit recommendations.			


C.E.O Kenya Sugar Board
Date: 10.12.2025

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Appendix II: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized		
	as per bank statement			Statement of Financial Performance	Capital Fund	Total Transfers
Agriculture and Food Authority	01/01/2025	Recurrent	26,441	26,441	-	26,441
Agriculture and Food Authority	13/02/2025	Recurrent	100,000	100,000	-	100,000
Agriculture and Food Authority	05/03/2025	Recurrent	100,000	100,000	-	100,000
Agriculture and Food Authority	04/04/2025	Recurrent	100,000	100,000	-	100,000
Agriculture and Food Authority	23/05/2025	Recurrent/Development	94,000	91,887	2,113	94,000
Agriculture and Food Authority	23/05/2025	Recurrent	4,582	4,582		4,582
Total			425,023	422,910	2,113	425,023

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Appendix III- Inter-Board Confirmation Letter

Name of Transferring Board Agriculture and Food Authority

Name of Beneficiary Board...Kenya Sugar Board

Confirmation of amounts received by Kenya Sugar Board for the six months ending on 30 th June 2025					
Reference Number	Date Disbursed	Recurrent (A) Ksh000	Development (B) Ksh 000	Total (C)=(A+B) Ksh000	Remarks
RCT00010	01/01/2025	26,441	-	26,441	Grant from AFA
RCT00007	12/02/2025	100,000	-	100,000	Grant from AFA
RCT00008	05/03/2025	100,000	-	100,000	Grant from AFA
RCT00012	04/04/2025	100,000	-	100,000	Grant from AFA
RCT00027	23/05/2025	91,887	2,113	94,000	Grant from AFA
RCT00031	23/05/2025	4,582	-	4,582	Grant from AFA
Total		422,910	2,113	425,023	Grant from AFA

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Board:

Name *John Aker* Sign *John Aker* Date 12.12.2025

Head of Accounts Department - Beneficiary Board:

Name *John Aker* Sign *John Aker* Date 12.12.2025