

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

REPORT

DATE: 08 APR 2025

DAY.

TABLED
BY:

CLERK-AT
THE-TABLE:

OF

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**MIWANI SUGAR COMPANY (1989) LIMITED
(IN RECEIVERSHIP)**

**FOR THE YEAR ENDED
30 JUNE, 2024**

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 08 APR 2025

DAY.

Tuesday


TABLED
BY:

CLERK-AT
THE-TABLE:

Deputy Majority Leader
Hon. Owen Banya
Perpetual Njuga



ANNUAL REPORT AND FINANCIAL STATEMENT 2023/2024

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 APR 2025	DAY:
TABLED BY:	Deputy Majority Party Hon. Owen Bayart, M.P.
CLERK-AT THE-TABLE:	Respectful Mungu

MIWANI SUGAR COMPANY (1989) LIMITED
(IN RECEIVERSHIP)
REFINED SUGAR AND SPIRITS MANUFACTURERS
P.O. BOX 100 MIWANI,
KENYA
Email: miwanisugar@gmail.com

Miwani Sugar Company (1989) Limited (In Receivership)

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KEY COMPANY INFORMATION

WHO WE ARE

The sugar company began milling in 1922 under the name "Victoria Sugar Mills," originally owned by the Vildhadas Kalidas family before being acquired by the Hindocha family. It ceased operations in 1988 due to operational issues but reopened as "Miwani Sugar Company" in 1989, managed by Vanessa International (holding 51%) and the Kenyan government (holding 49%).

At the time of receivership, the sugar mill, refinery, and distillery had halted operations and have yet to resume. In 2007, the Kenya Sugar Board paid off Delphis Bank's debenture and transferred Vanessa's shares back to the government, making the Kenya Sugar Board the sole debenture holder of the company.

The company stopped operations in the year 2000 and by March 2001, it was placed under protective receivership due to financial difficulties and insolvency.

Currently the main activity is cane development and maintenance in the nucleus estate to enable asset protection.

OWNERSHIP

The Company is wholly owned by the Government of the Republic of Kenya

RECEIVER MANAGERS' REGIMES:-

There have been 3 past receivership regimes:-

- (i) 2001-2007: Jack Ranguma & G. Gathinji;
- (ii) 2007 – 2012: Eng. M. Owiti & KK. Bett
- (iii) 2013 - 2018: Asa Okoth & T. Makeni/ J. Kibeney
- (iv) June 2018 - Current: H. Kirui & F. Ooko - the latter has since been recalled, leaving Harun Kirui fully in-charge.

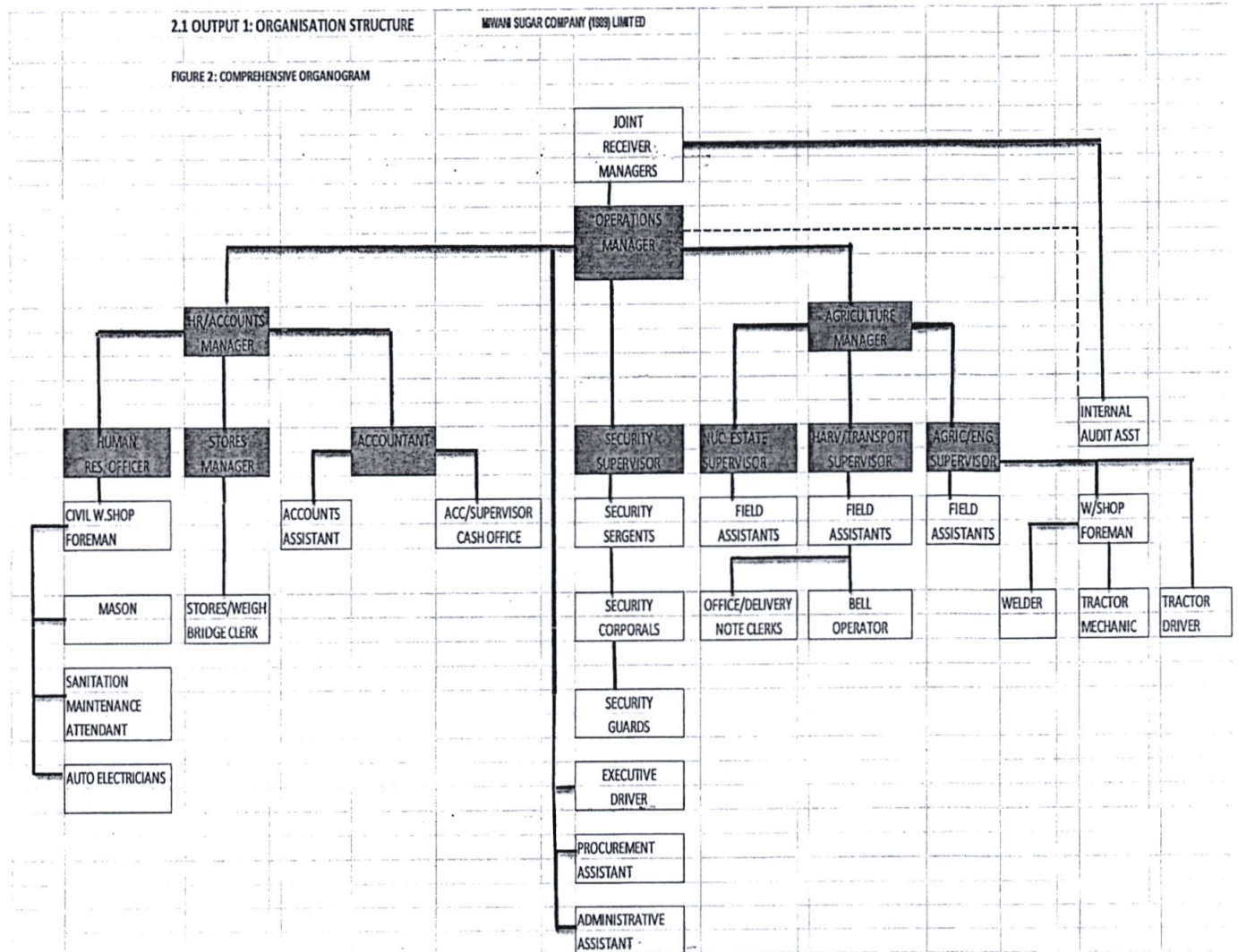
PRINCIPAL ACTIVITIES

The principal activities of Miwani Sugar Company (1989) Limited (In Receivership) Ltd are:-

- (i) To establish and manage sugarcane both in our Nucleus Estate and asset protection.

The Management Structure:

The company being under Receivership is headed by Joint Receiver Managers assisted by the Operations Manager for Executive day-to-day running of the company.



The day to day operations are overseen by the Operations Manager supported by the HR/Accounts Manager and the Nucleus Estate Manager. The Joint Receivers and Managers provide the policy direction and oversight of the company operations on behalf of the debenture holder - AFA.

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:-

- | | | |
|----|--------------------------|----------------------|
| 1. | Joint Receiver & Manager | Mr. Harun Kirui |
| 2. | Operations Manager(Ag) | Mr. Kennedy Odhiambo |
| 3. | HR/Accounts Manager | Mr. Thomas Okwirri |
| 4. | Nucleus Estate Manager | Mr. Dan Muga |

CORPORATE INFORMATION

JOINT RECEIVERS & MANAGERS

Mr. Harun Kirui

REGISTERED OFFICE

Miwani Sugar Company (1989) Limited
(In Receivership)
Refined Sugar And Spirits Manufacturers
P.O. Box 100 Miwani,
Kenya

CONTACTS

Tel GSM: 0719 222 289
0774363766
Email: miwanisugar@gmail.com

PRINCIPAL AUDITORS

The Auditor General
P.O.BOX 30084 – 00100
Nairobi





BANKERS

Standard Chartered Bank (K) Ltd
Kisumu Branch
P O Box 354
Kisumu.

SOLICITORS

Otieno Ragot & Company Advocates
Al Imran Plaza 4th Floor
Oginga Odinga Road
P.O Box 3051-40100
Kisumu.

Kale Maina Bundotich
Teleposta Building
Kenyatta Avenue
P.O Box 10674-00100
Nairobi.

<p>1. Mr. HARUN KIRUI (JOINT RECEIVER & MANAGER)</p> 	<p>Mr. Harun Kirui is the joint receiver & manager of both Muhoroni Sugar Co. ltd and Miwani Sugar Co. (1989). He was seconded from Agriculture and Food Authority. He holds a Bachelors degree in Commerce and a CPAK. He has been the Joint Receiver Manager from May 2018.</p>
<p>2. Mr. KENNEDY ODHIAMBO (OPERATIONS MANAGER)</p> 	<p>Mr. Kennedy Odhiambo Omondi is the Acting Operations Manager. He was seconded from Muhoroni sugar company by the Joint Receiver managers. He holds a Bachelors degree of Agriculture (Crop science major). He has over 9 years of experience.</p>
<p>3. MR. THOMAS OKWIRRI (HR/ACCOUNTS MANAGER)</p> 	<p>Mr. Thomas Okwiri is the HR/Accounts Manager. He holds a Bachelor of Commerce (Finance Option) and CPA1. He has served in Miwani sugar for 8 years. He has over 25 years' experience having worked in various organizations in accountancy field.</p>
<p>1. MR. DANIEL MUGA (NUCLEUS ESTATE MANAGER)</p> 	<p>Mr. DAN MUGA is The Nucleus Estate Manager. He holds a Master's Degree In Supply Chain Management and a Bachelor's degree in Agriculture. He has served in Miwani sugar for 7 years.</p>

JOINT RECIEVER MANAGER'S STATEMENT

Mandate of Joint Receivers & Managers

The mandate of Joint Receiver & Managers was expressed as terms of reference in the letter of Secondment referenced above which stated inter alia.

1. Take over all assets and liabilities of the Companies,
2. Establish and confirm the Company's indebtedness,
3. Take over creditor & debtors,
4. Assess status of the staff establishment, select and retain optimum number of employees,
5. Manage the affairs of the Company in manner beneficial to the Debenture Holders,
6. Send monthly report to The Sugar Directorate,
7. Prepare and file statutory returns with both the Kenya Revenue Authority/KRA and the Company registry,
8. In consultation with the outgoing Receiver Managers prepare statement of Affairs as at the date of takeover,
9. Undertake to perform the services with the highest standards of professional and ethical Competence and Integrity.

On behalf of the management team at Miwani Sugar Company (1989) Limited (In Receivership), I am pleased to present the Management Report detailing the Company's business operations and financial performance for the year ending June 30, 2024. Cane supplied to various millers for the review period was 11,811.04MT against a budget of 36,337MT resulting in a negative variance of 24,525.96 MT. This was as a result of the six months directive given to all millers by AFA coupled with haulage challenges and wet weather. This translated to come of kshs 63,759,750.62 against a budget of kshs 215,726,200.00 resulting in an unfavourable variance of kshs 151,966,449.38

Management is committed to implementing rigorous measures to ensure the Company returns to profitability.

INTERNATIONAL SUGAR MARKETS

Sugarcane production is forecast up to 98.3 million tons in FY 2022/2023. The rise in production is a result of a 3 percent rise in area harvested (to 1.6 million hectares) and above-normal vegetative growth due to favorable rainfall. It is anticipated that the average yield will be virtually the same as the previous year as farmers will likely reduce their fertilizer usage due to a surge in fertilizer prices after Russia's invasion of Ukraine. The use of sugarcane for ethanol production is expected to rise to 2.8 million tons while still leaving most sugarcane to go into the production of sugar. A new sugar -based ethanol facility will produce fuel ethanol in 2022 and will shift to industrial grade ethanol in 2023 when the biochemical production facility is operational.

Sugar consumption is expected to increase by around 2.5 million tons in line with anticipated economic recovery in 2023. Improved business activity and the return of foreign tourists will help boost the hotel and food service sector from the pandemic-induced recession.

2022/23 SUGAR OVERVIEW

Global production is forecast up 1.7 million tons to 182.9 million tons as higher production in Brazil, China, and Russia is expected to more than offset declines in India and Ukraine. Consumption is anticipated to rise to a new record due to growth in markets including China, India, Indonesia, and Russia.

U.S. production is forecast down 2 percent to 8.2 million tons on lower forecast sugarbeet yields relative to 2021/22. Imports are down 13 percent to 2.7 million tons based on projected quota programs set at minimum levels consistent with World Trade Organization and Free-Trade Agreement obligations and on projected imports from Mexico, re-export imports, and high-tier tariff imports. Consumption is unchanged while stocks are lowered with the drop in production and imports.

Brazil production is forecast up 1.0 million tons to 36.4 million as higher sugarcane yields from favorable weather are expected to result in additional sugarcane available for crushing. Harvested area is lowered as marginal sugarcane areas switch to soybeans and corn. The sugar/ethanol production mix is expected to be unchanged relative to the previous season at 45 percent sugar and 55 percent ethanol. The current conflict in Ukraine has brought no significant impact to the current sugarcane crop, given that fertilizer purchases and use occurred beforehand. Consumption is unchanged and stocks down, while exports are projected to rise with higher exportable supplies.

India production is forecast to decline 3 percent to 35.8 million tons as less sugarcane is processed for sugar. Consumption is anticipated at a record high with the expectation of continued favorable retail and institutional sugar demand. Imports are unchanged while exports are expected to decline by over 40 percent given the expected return to normal trade volumes. Record exports are estimated for 2021/22 following global supply shortfalls

European Union production is forecast down 250,000 tons to 16.3 million as farmers reduce sugarbeet plantings in favor of more profitable crops like corn. Consumption and exports are unchanged. Imports are down as the EU food industry works to reduce sugar content in food products. Stocks are down due to the lower production and imports.

China production is up 400,000 tons to 10.0 million with rising cane sugar and beet sugar production. This assumes favorable weather and that beet mill incentive are successful at keeping farmers planting sugarbeets. Consumption is expected to rise on the assumption that COVID-related restrictions ease, including stay-at-home orders which currently limit sugar use. Imports and stocks are down as high world sugar prices encourage stock drawdown.

Egypt production is up 70,000 tons to 2.9 million on higher sugarbeet area. The rise in area is attributed to the establishment of new sugarbeet processing plants. Consumption is up with population growth and expansion of the confectionary food products sector. Imports are expected to remain unchanged as demand is met by higher output.

Source: <https://www.fas.usda.gov/data/sugar-world-markets-and-trade>

LOCAL SUGAR MARKET

Area under Cane by County

In 2023, sugarcane production was carried out in 14 counties namely Kakamega, Bungoma, Kisumu, Narok, Busia, Nandi, Homa Bay, Kericho, Migori, Trans Nzoia, Kwale, Uasin Gishu, Kisii and Siaya. Area under cane in 2023 increased by 6.81 percent to 259,018 Ha from 242,508 Ha that was recorded in 2022. The increase in area under cane was attributed to the coming on board of West Valley Sugar Company enlarging the area by 5,671 Ha

and Naitiri Sugar Company expanding the area by 7,749 Ha. Kakamega county registered the largest area under cane at 50,628 Ha (19.55 percent) followed by Bungoma at 47,866 Ha (18.48 percent) in the year under review. Number of farmers increased from 292,586 in 2022 to 319,241 farmers in the year under review.

Sugarcane Crushed, Sugar Made and Conversion Ratio

The total sugarcane crushed in 2023 dropped significantly by 36.80 percent to 5,483,900 MT from 8,676,181 MT crushed in 2022 due to inadequate mature cane for crushing in the year under review. The decline in the quantity of sugarcane crushed translated to a major reduction in the quantity of sugar made, decreasing to 473,902 MT in 2023 from 800,436 MT that was made in 2022, representing a 40.80 percent decrease. Additionally, the high cane to sugar ratio resulting from the crushing of the immature cane further reduced the sugar output during the period under review.

Sugar Production, Sales and Closing Stocks

The quantity of sugar bagged (produced) in 2023 dropped to 472,773 MT from 796,554 MT that was produced in 2022, representing a 41 percent decrease. The decrease was mainly due to the closure of 10 milling factories for a period of four months (August-November) due to lack of mature sugarcane for milling. The quantity of sugar sales in the year under review declined to 460,599 MT from 792,203 MT that were sold in 2022. The decline in the total sugar sales could be attributed to the significant decrease in the quantity of sugar bagged. The total sugar closing stocks held by millers increased to 22,523 MT in 2023 from 10,472 MT in 2022 representing a 115 percent rise. The increase in closing stock was due to improved sugar production as a result of resumption of operations by the ten millers in December 2023. The situation was aggravated by increased sugar imports recorded in the year under review.

Molasses Production, Sales and Closing Stocks

The significant decline in the quantity of sugarcane milled translated to subsequent decrease in the quantity of molasses produced in 2023. During the year under review, 229,970 MT of molasses was produced compared to 333,989 MT that was realized in 2022, translating to a 31.14 percent decrease. In addition, the domestic sales for molasses in 2023 stood at 225,057 MT, a 32.14 percent decline from 331,632 MT of molasses sales that were made in 2022. The industry recorded an increase of 36.68 percent of the closing stock of molasses in 2023 compared to 11,075 MT that was recorded in 2022.

Sugar prices

During the year under review, the industry witnessed an all-time high sugar prices at all levels (ex-factory, wholesale and retail). This occurred as a result of a combination of factors ranging from high inflation rate, fluctuating exchange rates and reduction in domestic sugar production. The ex-factory sugar prices for a 50kg bag in 2023 ranged between KES 5,200 and KES 10,500. The average ex-factory price of the similar quantity of sugar in the period under review rose by KES 2,315 to KES 7,999 from KES 5,684 that was recorded in 2022. Similarly, the wholesale price for a 50kg bag of sugar ranged between KES 5,500 and KES 11,200 in 2023 while the average wholesale price for the same 50kg bag of sugar was KES 8,405, a 35.59 percent rise from KES 6,199 that was recorded in the previous year. On the other hand, the price of a kilo of sugar in 2023 range between KES 115 to KES 250 while the average retail price rose by KES 56.23 to KES 196.16 from KES 139.93 recorded in 2022.

Sugar Imports

In the period under review, a total of 608,178 MT of both brown/mill white and white refined sugar was imported compared to 320,708 MT that was imported in 2022 translating to a significant increase of 90 percent. The increase is ascribed to increasing domestic sugar demand amid sharp decline in sugarcane production, leading to very low local sugar production. To mitigate sugar shortage and cap rising sugar prices, the Government allowed importation of duty free sugar from the world market. The sugar imports comprised of 162,516 MT of white refined sugar and 445,662 MT of Brown/Mill White valued at KES 13,716,157,673 and KES 39,545,855,824 respectively.

Source: AFA 2024 Year Book of Statistics

Global sugar Overview

2023/24 Sugar Overview Global sugar production is forecast up 2.5 million tons to 186.0 million with lower production in Brazil expected to more than offset higher production in Thailand, India, China, and Mexico. Consumption is anticipated to rise to a new record with growth in markets such as India and Pakistan. Exports are forecast lower due to reduced shipments from Brazil, India, and Thailand. Stocks are forecast lower as reduced stocks in Thailand are projected to more than offset a rise in stocks in India.

U.S. production is forecast up marginally to 8.4 million tons. Imports are forecast down based on projected quota programs set at minimum levels consistent with World Trade Organization and freetrade agreement obligations, and on projected imports from Mexico, re-exports, and high-tier tariff imports. Consumption is practically unchanged while stocks are reduced due to lower imports. Brazil production is forecast 1.5 million tons lower but still the second highest on record at 44.0 million tons as less sugarcane is forecast to be available for crushing due to unfavourably dry weather. The sugar/ethanol production mix is expected to favor sugar relative to the previous season going from 49 percent to 51 percent for sugar and from 51 percent to 49 percent for ethanol. Consumption and exports are both forecast unchanged.

European Union production is forecast flat at 15.0 million tons as sugarbeet area is expected to be up slightly with lower yields. Consumption, imports, and exports are forecast unchanged while stocks are expected to rise with the higher beginning stocks.

India production is estimated up 500,000 tons to 34.5 million on higher yields with the planting of early maturing varieties. Consumption is anticipated to be up to meet demand during festivals and growth in pre-packed foods, sugar, and confectioneries, and catering services. Imports are forecast higher as the growth in consumption is expected to exceed the growth in production. Exports are down slightly on the likelihood that the government maintains export caps to meet domestic food consumption and sugar to ethanol diversion for the Ethanol Blending Program.

Thailand production is forecast to be up 16 percent to 10.2 million tons due to a recovery in sugarcane production and increased cane sugar yield. Consumption continues to rise but at a slower rate due to lower expected disposable income. Exports are forecast to level off after surging the year before while stocks are expected to drop sharply due to lower beginning stocks.

Australia production is forecast to increase 100,000 tons to 4.2 million due to an increase in sugarcane available for processing as a result of expected favorable weather. Consumption is forecast to increase in line with population growth while exports are also forecast up with the higher available supplies.

China production is up 500,000 tons to 10.4 million as the area for both sugarcane and sugarbeets are expected to rise. Consumption is forecast up on the assumption that consumer spending will increase

Source: Global Market Analysis/Foreign Agricultural Service/USDA

Kenya Economic outlook in 2022

Kenya's economy grew 5.2% in 2023, up from 4.8% in 2022, as agriculture rebounded, and services grew moderately. On the supply side, services accounted for 69% of the growth and agriculture for 23%, while on the demand side, household consumption accounted for 70%. Inflation edged up to 7.7% in 2023 from 7.6% in 2022, driven by core inflation (32% of the change), fuel inflation (26%), and cost-push inflation (9% year on year increase in the producer price index).

The policy rate was hiked 375 basis-points, to 12.5%, and central bank operations sought to anchor inflation expectations. The fiscal deficit widened from 6.3% of GDP in 2022 to 7% in 2023, as revenues underperformed, and interest costs rose. Public debt expanded from 66.7% of GDP in 2022 to 70.2% in 2023, driven by increased loans to finance the primary deficit and by exchange rate depreciation. The current account deficit narrowed from 5.2% of GDP in 2022 to 4.9% in 2023, as trade deficits shrank, and secondary incomes increased. The deficit was financed by drawing down reserves, which declined from 4.3 months of import cover to 3.6 months. The shilling depreciated by 24% year on year in 2023. The capital adequacy ratio of 18.6% in 2023 was above the prudential minimum of 14.5%, and the liquidity ratio of 49.7% was above the 20% prudential minimum. Nonperforming loans increased from 13.6% of gross loans in 2022 to 14.5% in 2023 due to rate hikes and public sector debt arrears (or outstanding government payments to contractors). Credit-risk concentration was high in manufacturing, real estate, and personal and household sectors.

Poverty increased from an estimated 33.6% in 2019 to 36.1% in 2021, and unemployment rose slightly, from 13.3% in 2021 to 13.9% in 2022. Income inequality from a Gini coefficient of 0.36 in 2020 to 0.39 in 2021.

Outlook and risks

Kenya's GDP is projected to grow 5.4% in 2024 and 5.6% in 2025, driven by services and household consumption. Inflation is expected to fall to 6.2% in 2024 and 5.5% in 2025, as food and global inflation both decline. Monetary policy is expected to be accommodative due to projected stable inflation and exchange rates. The fiscal deficit is projected to narrow to 5.9% of GDP in 2024 and 5.0% in 2025 in response to a revenue-led fiscal consolidation program. The current account deficit is projected to narrow to 4.6% of GDP in 2024 and 4.5% in 2025 as a recovery in global trade reduces the trade deficit. However, the outlook is subject to considerable risks, including tight global financing, drought, political instability in neighboring countries, and slow recovery of global growth. Risk mitigation measures in the medium to long term include building fiscal and external buffers (e.g., foreign exchange reserves), strengthening disaster preparedness, and accelerating structural transformation.

Reform of the global financial architecture

Kenya's GDP growth averaged 4.6% between 2019 and 2023, lower than its 10% target in Vision 2030. Growth has been non inclusive, attributable to the minimal contribution of structural transformation to growth. This has resulted in the low poverty-reduction and employment-creation capacity of growth. On average, structural transformation accounted for 28% of labour productivity growth between 2007 and 2022. A quarter of GDP growth came from sectors resilient to shocks. Output growth of 5.8% a year is needed to absorb the 680,000 people entering the labour market. With accelerated structural transformation, GDP growth of 7.3% could create 1.36 million new jobs and cut unemployment to 7%. Achieving this requires improving governance, infrastructure, human capital development, access to finance, and macroeconomic stability.

The global financial architecture presents challenges to Kenya in meeting its financing gap. Kenya needs \$12 billion annually by 2030 and \$2 billion annually by 2063 to close its financing gap to fast-track structural transformation. Some of the funds could be raised through domestic resource mobilization; the current tax-to-GDP ratio of 13% is below its 27% potential. Other options include deepening the domestic financial market and mobilizing private capital and rents from natural resources. Kenya raised resources equivalent to 5% of GDP from external sources recently. Kenya is calling for changes to the global financial architecture, including the debt architecture, concessional finance, and voice and power in decision making.

Source: African Economic Outlook (AEO) 2024

FINANCIAL PERFORMANCE

Total turnover for the period under review was Kes. 63,859,791 (FY 2022/23 kes 115,753,283). The cane sales were below target due to the six months closure of sugar mills directive by AFA to allow sugarcane to grow to maturity, dilapidated roads network and boggy fields caused by the wet weather worsened the situation.

Miwani Sugar Co (1989) SWOT Analysis for the period under review:

a. Strengths

- 1) Adequate land size with fertile soil, with ideal weather conditions for cane production and supply throughout the financial year
- 2) Strategic location of the offices within its cane Nucleus Estates for easy supervision of the farms
- 3) Lean and efficient work force that effectively manages operations

b. Weakness

- 1) Inconsistent payment of statutory obligations
- 2) Low adoption of technology
- 3) Poor accessibility due to dilapidated roads and infrastructure
- 4) Lack of enough transport units to facilitate cane transport from the estates
- 5) Lack of machineries for land development

c. Opportunities

- 1) Ability of initiating irrigation systems within the nucleus estate farms
- 2) High demand of sugar cane by millers which subsequently results in increase of revenue to Miwani Sugar Company (1989) Ltd.
- 3) New markets for sugarcane to which the company can sell sugar to.
- 4) Availability of new and updated technologies in the market for better productivity.
- 5) Introduction of early maturing cane varieties

d. Threats

- 1) Competition by cane Outgrower farmers for resources e.g. farm labour
- 2) Vagaries of weather e.g. drought and heavy rains leading to boggy fields
- 3) Encroachment by subsistence farmers into the Nucleus Estate
- 4) Heavy animal grazing resulting in crop destruction and soil erosion.
- 5) Accidental cane fires

SUSTAINABILITY STRATEGY

To ensure future sustainability, the company intends to address the various challenges as follows: -

a) Short term measures

- Expand cane cultivation with fast-maturing varieties in the nucleus estate.
- Increase area under cane to enable more crop production.
- Implement cost-saving measures to enhance operational efficiency.

b) Long term Measures

- Optimize costs across the value chain to lower production expenses.
- Build a modern factory and expand its capacity (through leasing or privatization).
- Diversify revenue streams through co-generation.

.....
Harun Kirui

Joint Receiver & Manager

CORPORATE GOVERNANCE STATEMENT

The Joint Receivers & Managers of Miwani Sugar Co. Ltd are tasked with overseeing the company and are accountable to the Debenture Holder, AFA, and the Government of Kenya. Their responsibility is to ensure compliance with legal requirements and uphold the highest standards of business ethics and corporate governance. As such, the Joint Receivers & Managers place significant emphasis on widely accepted corporate governance practices and have adopted internationally recognized principles and codes of best practices in good corporate governance.

Appointment of the Joint Receivers & Managers

The relevant appointing authority (AFA) shall select and appoint the Joint Receivers & Managers by name and by notice in the Kenya Gazette and which maybe renewable after three years or for such shorter period as may be specified in the notice.

Cessation from being a Joint Receivers & Managers

- I. The Joint Receivers & Managers tenure ceases if a member:
 - a. Serves the appointing authority with a written notice of resignation; or
 - b. Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
 - c. Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
 - d. Conducts himself in a manner deemed by the appointing authority to be inconsistent with being a Receiver Manager.
- II. Any removal of a Receiver Manager under (I) above shall be through formal revocation.
- III. The Head of Human Resources will ensure that a record of the appointment letter, gazette notice and written acceptance by the Board member is kept in the personal file of the Board member.

In accordance with the Mwongozo code of conduct, the Receiver Managers have worked to ensure that the Company adheres to the constitution as well as all relevant laws, regulations, and standards. They have established internal procedures and monitoring systems to support compliance with the Company's strategic objectives and provide timely compliance reports on all statutory obligations to the appropriate Government Departments and Agencies.

To further align with the Mwongozo code of conduct, the Joint Receivers & Managers established necessary management committees led by qualified and experienced members to ensure the achievement of the Company's overall strategic objectives.

Aside from providing direction and guidance on general policy, the Joint Receivers & Managers delegate day-to-day business authority to Management through the General Manager. Nevertheless, they remain responsible for the stewardship of the Company and maintain effective control over its operations.

The Joint Receivers & Managers, fully aware of their responsibility to protect the Company's assets and ensure a path to profitability, reaffirm their dedication to policies and strategies that promote transparency and accountability. The Company is committed to upholding the highest standards of integrity, professionalism, and

business ethics in all its operations. Additionally, it has a human resources manual that governs HR matters in accordance with applicable laws.

The Receivers & Managers regularly meet with the executive management team, and special meetings are convened as needed to address urgent issues that cannot wait for the next scheduled executive meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSETS

1. Land

Miwani Sugar Company land covers 4,046.95 hectares, out of this, 3,200.00 hectares is designated for cane farming by the Company. The land was valued at kshs.2,500,000,000 in 2019. Ownership of the land reverted to the Miwani Sugar Company (1989) in 2010 following favorable rulings both at the High Court of Kenya and the Court of Appeal. Crossley Holdings filed a fresh appeal against Court of Appeal ruling. This was again ruled favorable to the company.

2. Cane

As at 30th June 2024, the area under cane was 898.98 compared to an area under cane of 1,094.39 Ha in previous year. These were mainly ratoon cane. Cane development is hampered by poor financial position and lack of land development machineries coupled with prolonged wet weather periods..

MIWANI NEUCLEUS ESTATE AS AT 30 th June 2024	AREA
Caneable area	3,200 HA
Area under cane	898.98 HA
Fallow land in NE	2,301.02 HA
Tones of mature cane for 30 th June 2024	14,764 tons

3. Factory

Sugar milling, refinery and distillery stopped in the year 2000 and to-date the plants remains in a state of disuse thus the plant and machinery have continued to deteriorate. However, the Joint Receivers & Managers have ensured the security of the plant and machinery in the factory with everything intact as it was at taking over.

4. Milling plant

The sugar milling plant is obsolete and shall require complete rehabilitation. The costs involved in the rehabilitation have been estimated to be about Kshs. 4 billion depending on the chosen plant configuration.

5. Distillery

The distillery plant is intact. The previous Joint Receivers & Managers in the year 2007/8 floated the idea of leasing the plant to a willing operator. However, after inspection, M/S INTERNATIONAL DISTILLERS LIMITED the prospective operator ruled out running the distillery. This was on the basis of remote source of raw materials (molasses) and energy, small capacity of the plant, rehabilitation costs and lack of electric power. The distillery plant has thus remained in an idle state since the year 2000. Reasonable capital investment shall be required to bring back the distillery in operation.

Great importance has been given to secure the assets of the Company. The Company has engaged security guards to protect the assets. The local administration has given full support towards security of Company assets. The Joint Receivers & Managers have continued to sensitize the local community on preservation of the Company assets and have created hope of revival of the Company. Despite the occasional cane arson so far

there has not been any insecurity incidence which could lead to loss or damage of the Company property. The Company land has also remained intact with no encroachment or hosting of squatters.

6. Sugar Refinery

The plant machinery has largely remained idle for 18 years hence decay and obsolescence has set in. The last plant and machinery valuation in the year 2019 put the value at kshs.465, 822,000.00

7. Built up assets

Most fixed structures built in the 1950s and 1970s are in state of disuse. The Factory and housing Estate comprises of about 470 units. Only 3 units house senior managers but require renovation. These were valued in the year 2019 at kshs.190, 000,000

8. Other movable assets

Since 2011 the company has acquired a tractor, 130HP at kshs.7Million and a Toyota D/Cabin pick up at kshs.4.05 Million for expansion of cane farming in the Nucleus Estate.

Way forward

- Allocate adequate resources for cane development and maintenance in the Nucleus Estate.
- Facilitate cane development through financing to cultivate all fallow land.
- Strategically promote the adoption of new early-maturing cane varieties.
- Invest in infrastructural improvements to enhance overall farm linkages.
- Prompt application of fertilizers and herbicides to enable maximum cane yielding.

2023/24 lost one Quarter to cane outage following the AFA-SD shut-down (27/07/2023 all the way to 01/11/2023).

ENVIRONMENTAL AND CSR ACTIVITIES

Miwani Sugar Company (1989) Limited (In Receivership) has established a tree planting nursery under the Agriculture Department. The goal is to produce sufficient tree seedlings for planting on company land and within the surrounding community. In total 3,317 assorted tree seedlings was planted during the review period:.

The company is committed to Corporate Social Responsibility (CSR), continuously striving to contribute to economic development while enhancing the quality of life for its workforce and the broader community.

REPORT OF THE RECEIVERS/ MANAGERS

The Joint Receivers/Managers submit their report and the audited financial statements for the year ended 30 June 2024, which show the state of the company's affairs.

MANAGEMENT

Miwani Sugar Company (1989) Limited (in Receivership) is a cane growing and manufacturing entity incorporated under the Kenyan Companies Act (Cap 486). The company was placed under receivership on 15 March 2001 by its debenture holders Delphis Bank Ltd (now Oriental Commercial Bank Limited) and Kenya Sugar Authority / Kenya Sugar Board (Now Agriculture and Food Authority (AFA)). The debenture holders appointed joint receivers/managers to secure the repayment of monies loaned, protect the assets of the company and to revive the operations of the company. The joint receivers/managers assumed the management and control of affairs and business of the company to the exclusion of the board of directors. Oriental Commercial Bank Ltd ceased to be a creditor in 2008 after Kenya Sugar Board took over its liabilities together with the related debentures. The company was still under the management of the joint receivers/managers at the date of this report.

PRINCIPAL ACTIVITIES

The principal activity of the company is sugarcane production and sugar processing. However, the sugar-milling factory was closed in March 2001 and had not reopened by the date of this report. The company maintains cane in its nucleus estate which is sold to other sugar millers.

RESULTS

The results for the year are set out in the statement of comprehensive income on page ___.

DIVIDENDS

The joint receivers/managers do not recommend the payment of a dividend in respect of the year.

RECEIVERS/MANAGERS

The joint receivers/managers during the year and to the date of this report are set out on page 1.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITORS

With respect to each receiver/manager at the time this report was approved:-

- a. There is so far as the person is aware, no relevant audit information of which the Company Auditor is unaware; and
- b. The person has taken all the steps that the person ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

BY ORDER OF THE JOINT RECEIVERS/MANAGERS

.....
Harun Kirui
Joint Receiver & Manager

STATEMENT OF THE RECIEVERS & MANAGER'S RESPONSIBILITIES

The Kenya Companies Act requires the Joint Receiver Managers to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the Joint Receiver Managers to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company. They are also responsible for safeguarding the assets of the company.

The Joint Receiver Managers are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenya Companies Act and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

The Joint Receiver Managers accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Joint Receiver Managers are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The Joint Receiver Managers further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

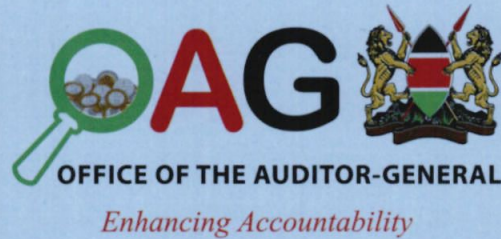
The Joint Receiver Managers acknowledge that the continued existence of the company as a going concern depends on continued support from the debenture holders and the government and the success of the measures that the Joint Receiver Managers and the government have put in place to return the company to normal business operations and profitability. The Joint Receiver Managers are of the view that once the planned measures are adopted, the company will successfully return to profitability. In view of the foregoing, the Joint Receiver Managers consider it appropriate to prepare financial statements on a going concern basis.

The Miwani Sugar Co Ltd. Financial Statements were approved2024 and signed on its behalf by:

.....
Harun Kirui
Joint Receiver & Manager

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP) FOR THE YEAR ENDED 30 JUNE, 2024

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.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Miwani Sugar Company set out on pages 1 to 15, which comprise of the statement of financial position as at

Report of the Auditor-General on Miwani Sugar Company (1989) Limited (In Receivership) for the year ended 30 June, 2024

30 June, 2024 and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

Basis for Disclaimer of Opinion

1. Material Uncertainty Related to Going Concern

The statement of profit or loss & other comprehensive income reflects a loss of Kshs.187,428,048 (2022/2023 - loss Kshs.112,282,040). However, due to Gok loans and taxes write off of Kshs.21,275,425,730 and a prior year adjustment of Kshs.37,609,067, the accumulated loss decreased from Kshs.22,995,118,759 to Kshs.1,944,730,143. Further, the current liabilities of the Company of Kshs.706,365,597 exceeded the current assets of Kshs.188,221,444 by Kshs.518,144,153. The financial statements have however been prepared on a going concern basis. This basis may not be appropriate given that the Company was placed under receivership by lenders on 15 March, 2001. This fact has been disclosed in Note 3 to the financial statements.

In the circumstances, the continued operations of the Company are dependent on Government and its creditors.

2. Unsupported Prior Year Adjustments

The statement of changes in equity reflects a prior year adjustment of Kshs.37,609,067. Review of journal entry provided in support of the adjustments revealed that the Management amended the accumulated depreciation by Kshs.18,804,533. It is not clear why the adjustment of Kshs.56,413,600 was adjusted downward to Kshs.37,609,067. Further, the plant, property and equipment net book value of Kshs.2,894,255,066 was adjusted by Kshs.190,933 whose details and disclosure were not provided. Management has not supported these adjustments with relevant documentations contrary to Regulation 103 (2) of the Public Finance Management (National Government) Regulations, 2015 that require that the journal vouchers be supported by sufficient explanations, authorizations and documentation to facilitate accounting adjustments to be understood.

In the circumstances, the accuracy and completeness of prior year adjustments balance of Kshs.37,609,067 could not be confirmed.

3. Variances in the Statement of Changes in Equity

The statement of changes in equity reflects accumulated loss balance of Kshs.1,944,730,143 which includes loans and taxes write off of Kshs.21,275,425,730. However, the write off is at variance with the ledger balance of Kshs.21,273,486,770 resulting to unexplained variance of Kshs.1,938,960. Further, review of the National Assembly Memorandum dated 14 September, 2023 indicated that loans owed to the Government of Kenya amounting to Kshs.3,890,122,859 and tax arrears of Kshs.2,106,221 were approved to be written off. However, the resulting variances were not reconciled contrary to IAS 1.15 which states that the financial statements must "present fairly" the financial position, financial performance and cash flows of an entity which requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.

In the circumstances, accuracy and completeness of the accumulated loss balance of Kshs.1,944,730,143 could not be confirmed.

4. Inaccurate Disclosure of Revenue from Sale of Cane

The statement of profit or loss & other comprehensive income reflects an amount of Kshs.63,859,791 in respect of revenue from sale of cane and as disclosed in Note 4 to the financial statements. Review of annual sales revealed that the Company made cane sale of Kshs.40,583,714 to Muhoroni Sugar Company in the months of March, April and June, 2024. However, the amount was at variance with the computed sale of Kshs.41,286,941 resulting to an unexplained variance of Kshs.703,226. No adjustment to correct the understatement has been made contrary to the IAS 1.15 which states that the financial statements must "present fairly" the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.

In the circumstances, the accuracy and completeness of the sales amounting to Kshs.63,859,791 could not be confirmed.

5. Miscellaneous Income

The statement of profit or loss & other comprehensive income and as disclosed in Note 6 to the financial statements reflects other income totaling Kshs.23,475,370 Which included miscellaneous income of Kshs.14,803,373. However, the following anomalies were observed:

- i. Review of the revised statements revealed that miscellaneous income was revised from Kshs.12,431,852 earlier reported to Kshs.14,803,373, resulting to an unreconciled variance of Kshs.2,371,521. However, the adjustments were not

supported by approved journal entries with sufficient explanations and verifiable schedules.

- ii. The income also includes an amount of Kshs.10,876,000 in respect of sale of scrap metal. However, appointment letters for ad-hoc disposal committee were not provided for audit review contrary to Section 163 (1) of the Public Procurement and Asset Disposal Act, 2020 which states that an Accounting Officer shall establish a disposal committee as and when prescribed for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or assets.
- iii. No report on the disposal of the scrap metal was provided contrary to Section 163 (3) of the Public Procurement and Asset Disposal Act, 2020 which states there shall be a technical report where appropriate by a relevant expert of the subject items for disposal that considers the real market price and in so doing, the technical expert shall set up a reserve price.
- iv. Further, Management did not provide a list of prospective tenderers interested with the scrap metal based on the reserve prices disclosed.

In the circumstances, the accuracy and completeness of miscellaneous income of Kshs.14,803,373 could not be confirmed.

6. Gratuity/Severance Increase

The statement of profit or loss & other comprehensive income reflects administration and establishment expenses amount of Kshs.136,496,743 as disclosed in Note 7 to the financial statements. Included in this expenditure is an amount of Kshs.13,519,452 on gratuity/severance increase. However, details of the transactions and nature of payments were not disclosed or supported contrary to the provisions of Section 104 of the Public Finance Management (National Governments) Regulations, 2015 which states that all receipts and payment vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and appropriate authority and documentations.

In the circumstances, the accuracy and completeness of the gratuity/severance increase could not be confirmed.

7. Unsupported Administration and Establishment Expenses

The statement of profit or loss and other comprehensive income reflects administration and establishment expenses amounting to Kshs.136,496,743. Included in the expenses are bad debts written off and workers final dues of Kshs.22,517 and Kshs.1,772,952 respectively as indicated in Note 7. However, the expenses were not supported with ledgers or schedules. Further, the Management approvals to write off the bad debts, nature and aging analysis of the workers due were not provided for audit review which constitutes a limitation of scope. In addition, the administration expenses include accountancy fees of Kshs.691,000 whose nature and details were not provided for audit.

This was contrary to Section 149 (1) the Public Finance Management Act, 2012 states that an accounting officer shall ensure that the entity keeps financial and accounting records that comply with this Act.

In the circumstances, the accuracy, completeness and validity of the expenses of Kshs.2,486,469 reflected in the financial statements could not be confirmed.

8. Bank and Cash Balances

The statement of financial position reflects bank and cash balance of Kshs.13,222,606 comprising of bank and cash balances of Kshs.12,822,013 and Kshs.404,593 respectively as indicated in Note 21. However, the Management did not submit bank statements and the monthly bank reconciliation statements in respect of Standard Chartered Bank balance of Kshs.10,040,357 for audit as required by Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, the accuracy and completeness of bank and cash balance of Kshs.13,222,606 could be confirmed.

9. Bank Overdraft

The statement of financial position and as disclosed in Note 19 to the financial statements reflects bank overdraft balance of Kshs.60,154,806. The overdraft relates to balances of Kshs.60,112,525 and Kshs.42,281 held at the Trust Bank Limited (in liquidation) and Kenya Commercial Bank Limited respectively. However, other supporting documents, showing how the facility was acquired, the nature of the operation and the authority to open the facility were not provided for audit review. Further, the certificate of bank balance in support of the KCB overdraft was not provided for audit review. In addition, any additional interest that the Liquidator may impose on the outstanding amount has not been accrued in the financial statements.

In the circumstances, the accuracy and fair statement of the bank overdraft of Kshs.60,154,806 could be confirmed.

10. Unsupported Trade and Other Receivables

The statement of financial position and as disclosed in Note 15 to the financial statements, reflects trade and other receivables net balance of Kshs.1,373,731. However, the following unsatisfactory matters were noted:

- i. The trade and other receivables include prepayments and sundry receivables of Kshs.652,734 in respect to staff advance from the previous years. However, supporting documents including requests for salary advance, approvals for the salary advances of Kshs.284,734 were not provided for audit review. Further, no evidence of recovery action or other appropriate disciplinary action taken on the defaulting officers was provided, contrary to Regulation 93(10) of the Public Finance

Management (National Government) Regulations, 2015 which requires the Accounting Officer to take such action.

- ii. Further, the receivables include Kshs.720,997 in respect of amount receivable from Chemelil Sugar Company on cane sales. However, review of the ledger provided for audit revealed opening balance of Kshs.3,084,477 whose details and customer statements of account were not provided.

In the circumstances, the accuracy and recoverability of the trade and other receivables balance of Kshs.1,373,731 could not be confirmed.

11. Long Outstanding and Unsupported Payables

The statement of financial position and as disclosed in Note 20 to the financial statements reflects trade and other payables balance of Kshs.646,210,791. Review of the schedules provided revealed that amongst the payables, some have been long outstanding with some dating as far back as twenty (20) years back. Failure to clear the bills was contrary to Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that debt service payments shall be a first charge in the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the Government does not default on debt obligations. Further, Management has not supported the balances by way of ageing analysis, detailed listing and invoices indicating the specific entities to which the amounts are owed. In addition, the disclosure of a debit balance of Kshs.574,800 is contrary to IAS 32.1, which states that an entity shall not offset assets and liabilities or income and expenses, unless required or permitted.

In the circumstances, the accuracy and completeness of the long outstanding trade and other payables from exchange transactions could not be confirmed.

12. Borrowings

The statement of financial position and as disclosed in Note 18 to the financial statements reflects borrowings balance of Kshs.80,234,694. However, the loan agreement and the purpose and terms of the credit were not provided for audit review. In the absence of such documents and related details, it was not possible to confirm whether the loan was used for the intended purpose and if the terms of the loan are adhered to.

In the circumstances, the completeness, accuracy and servicing of the borrowings amounting to Kshs.80,234,694 could not be confirmed.

13. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.223,835,988 and actual amounts realized of Kshs.87,335,160, resulting to an under-collection of Kshs.136,500,827 or 61% of the budget. Management attributed the shortfall due to low supply of cane caused by closure of factories on directive of the

Government. Further, the Company reported direct costs of Kshs.23,276,691 out of the approved budget of Kshs.130,202,901, resulting to deficit budget of Kshs.106,926,210 or 82% of the final budget.

Similarly, the company accrued administration expenses of Kshs.136,496,743 against a final budget of Kshs.91,273,448 resulting to excess budget of Kshs.45,223,295 or 49% of the budget. This is contrary to Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 which states that National Government entities shall execute their approved budgets based in the annual appropriations and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the supplementary estimates.

In the circumstances, the regularity of the over expenditure of Kshs.45,223,295 could not be confirmed.

14. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised in the Disclaimer of Opinion. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board.

15. Unauthorized Impaired Receivables

The statement of financial position and as disclosed in Note 15 to the financial statements, reflects trade and other receivables net balance of Kshs.1,373,731. The Management has fully impaired pre-receivership debts of Kshs.90,835,444. However, write off has not been supported with requisite approvals contrary to Section 69 of the Public Finance Management Act, 2012 which states that an accounting officer for a National Government entity may with the approval of the Cabinet Secretary write off any loss not exceeding a prescribed amount and in circumstances prescribed by regulations for the purposes of this section. Further, the provision was not backed by any rate or policy.

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

16. Management of Inventories

The statement of financial position and as disclosed in Note 13 to the financial statements reflects inventories of Kshs.3,705,518. The inventories balance of Kshs.3,705,518 is net of an impairment of Kshs.47,438,029 which the Management indicated were obsolete stock. However, details of the obsolete stock were not provided for audit review contrary to IAS 2:36 which states that the financial statements shall disclose the total carrying amounts of inventories and the carrying amount in classifications appropriate to the entity. Further, the stock taking reports for the consumable stores, spares and loose tools balance of Kshs.51,143,548 were not provided for audit. In addition, policies or guidelines to support the provision, valuation costing and reporting of inventories and annual asset disposal plan were not provided for audit review.

In the circumstances, the basis of valuing the inventories totaling Kshs.3,705,508 could not be confirmed.

17. Failure to Maintain a Fixed Assets Register

The financial statements reflect property, plant and equipment balance of Kshs.2,894,255,066. However, Management did not maintain a fixed asset register to record the assets indicating their nature, date of purchase, amount, unique identifier number, depreciation among other details. This was contrary to Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a National Government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse and that movement and conditions of assets can be tracked.

In the circumstances, existence of effective internal controls on management of assets could not be confirmed.

18. Fully Depreciated Assets

The statement of financial position reflects property, plant and equipment value of Kshs.2,894,255,066 as disclosed in Note 11 to the financial statements. Review of the schedule to support balance revealed that motor vehicles and tractors with historical cost of Kshs.38,234,444 have been fully depreciated. However, the assets are still in use and the Company continues to derive benefits and incurring operational costs on fuel and maintenance. This is contrary to IAS 16.31 which states that revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

In the circumstances, the valuation of property, plant and equipment balance reflected in the financial statements could not be confirmed.

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

Conclusion

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

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

Conclusion

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

Responsibilities of the Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for 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 IFPP 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

30 December, 2024

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
 STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 KShs	2023 KShs
REVENUE	4	63,859,791	115,753,283
FAIR VALUE (LOSS)/GAIN ON GROWING PRODUCE	12	<u>(114,989,773)</u>	<u>8,958,345</u>
OPERATING INCOME		(51,129,983)	124,711,628
COST OF SALES	5	<u>(23,276,692)</u>	<u>(44,558,621)</u>
GROSS PROFIT		(74,406,674)	80,153,007
OTHER INCOME	6	<u>23,475,370</u>	<u>8,629,241</u>
		(50,931,304)	88,782,248
ADMINISTRATION AND ESTABLISHMENT EXPENSES	7	<u>(136,496,743)</u>	<u>(121,065,668)</u>
OPERATING PROFIT/(LOSS) BEFORE FINANCE COSTS		(187,428,048)	(32,283,420)
FINANCE COSTS	8	<u>-</u>	<u>(79,998,620)</u>
LOSS BEFORE TAXATION	9	(187,428,048)	(112,282,040)
TAXATION	10	<u>-</u>	<u>-</u>
NET LOSS FOR THE YEAR		<u>(187,428,048)</u>	<u>(112,282,040)</u>

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
 STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2024

	Notes	2024 KShs	2023 KShs
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,894,255,066	2,987,800,399
Growing produce	12	<u>94,312,571</u>	<u>201,221,068</u>
		<u>2,988,567,637</u>	<u>3,189,021,467</u>
CURRENT ASSETS			
Inventories	13	3,705,508	357,405
Due from related party	14	169,919,599	214,040,499
Trade and other receivables	15	1,373,731	7,716,205
Cash and bank balances	21	<u>13,222,606</u>	<u>2,163,917</u>
		<u>188,221,444</u>	<u>224,278,026</u>
TOTAL ASSETS		<u>3,176,789,081</u>	<u>3,413,299,493</u>
SHAREHOLDERS FUNDS AND LIABILITIES			
CAPITAL & RESERVES			
Share capital	16	42,000,000	42,000,000
Capital reserves	17	4,292,918,934	4,292,918,934
Accumulated losses		<u>(1,944,730,143)</u>	<u>(22,995,118,759)</u>
		<u>2,390,188,791</u>	<u>(18,660,199,825)</u>
NON-CURRENT LIABILITIES			
Borrowings	18	<u>80,234,694</u>	<u>4,015,276,304</u>
CURRENT LIABILITIES			
Borrowings		-	-
Bank overdraft	19	60,154,806	60,154,806
Trade and other payables	20	<u>646,210,791</u>	<u>17,998,068,208</u>
		<u>706,365,597</u>	<u>18,058,223,014</u>
TOTAL SHAREHOLDERS FUNDS AND LIABILITIES		<u>3,176,789,081</u>	<u>3,413,299,493</u>
		-	-

The financial statements were approved by the Joint Receivers/Managers on..... 2024
 and signed by:-

.....
 Joint Receiver/Manager

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2024

	Share capital KShs	Revaluation reserves KShs	Profit/Accumulated loss KShs	Total KShs
At 1 July 2022	42,000,000	4,292,918,934	(22,882,836,719)	(18,547,917,785)
Loss for the year	-	-	(112,282,040)	(112,282,040)
At 30 June 2023	<u>42,000,000</u>	<u>4,292,918,934</u>	<u>(22,995,118,759)</u>	<u>(18,660,199,825)</u>
At 1 July 2023	42,000,000	4,292,918,934	(22,995,118,759)	(18,660,199,825)
Prior year adjustments 2019/2020			(37,609,067)	(37,609,067)
Loans/Taxes write off			21,275,425,730	21,275,425,730
Profit/Loss for the year	-	-	(187,428,048)	(187,428,048)
At 30 June 2024	<u>42,000,000</u>	<u>4,292,918,934</u>	<u>(1,944,730,143)</u>	<u>2,390,188,791</u>

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
 CASH FLOW STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 KShs	2023 KShs
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash used in operations	21 (a)	<u>3,954,181,575</u>	<u>(71,623,415)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Disposal/(Purchase) of property, plant and equipment		-	-
Crop (expenditure)/sale		<u>(8,081,277)</u>	<u>(6,878,127)</u>
Net cash (used in)/generated from investing activities		<u>(8,081,277)</u>	<u>(6,878,127)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings		<u>(3,935,041,610)</u>	<u>79,998,612</u>
Net cash generated from investing activities		<u>(3,935,041,610)</u>	<u>79,998,612</u>
NET CHANGE IN CASH AND CASH EQUIVALENT		11,058,688	1,497,070
OPENING CASH AND CASH EQUIVALENT		<u>(57,990,888)</u>	<u>(58,487,958)</u>
CLOSING CASH AND CASH EQUIVALENT	21 (b)	<u>(46,932,200)</u>	<u>(57,990,888)</u>

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
THE YEAR ENDED 30 JUNE 2024

DESCRIPTIONS	BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE	% OF UTILIZATION
REVENUE				
Sale of milling cane	215,726,200.00	63,859,790.50	(151,866,409.50)	29.60
Other Income	8,109,788.00	23,475,370.01	15,365,582.01	289.47
Total Revenue	223,835,988.00	87,335,160.51	(136,500,827.49)	
DIRECT COSTS				
Cane handling cost	130,202,901.00	23,276,691.62	106,926,209.38	17.88
Total Direct Costs	130,202,901.00	23,276,691.62	106,926,209.38	
Gross Margin	93,633,087.00	64,058,468.89	(243,427,036.87)	
GENERAL OVERHEADS				
Administration expenses	91,273,448.00	136,496,743.40	(45,223,295.40)	149.55
Total General Overheads	91,273,448.00	136,496,743.40	(45,223,295.40)	
Surplus / Deficit before interest	2,359,639.00	(72,438,274.51)	(198,203,741.47)	
Finance cost	-	-	-	
Surplus / Deficit after interest	2,359,639.00	(72,438,274.51)	74,797,913.51	

Explanation of major variance

Sale of milling cane -this was as result of low cane supply of 11,811.04MT against a budget 36,337MT due 6 month closure and weather directive by AFA coupled with haulage with logistics effects occasioned with lack of funds to improve inroads.

Other Income exceeded the budgeted figure as a result og government approval of debts and taxes write offs by National Assembly.

Administration expenses over exceeded the budgeted figure as a result of incoporation of assets valuation of 31st october 2019 by tysons that's increased the depreciation expense to ksh 56,127,200.04 from 8,249,440.

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

1 SIGNIFICANT ACCOUNTING POLICIES

- a) Basis of accounting
The financial statements are prepared on the historical cost basis of accounting.
- b) Revenue recognition
Sales comprise the amount invoiced for goods and services sold during the period, net of trade discounts and taxes.
- c) Property, plant and equipment
Plant and equipment is stated at historical cost less depreciation.

Depreciation is calculated on a straight line balance basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

The annual rates in use are:

Buildings	5%
Plant and machinery	10%
Motor vehicles and tractors	20%
Office and other equipment	20%
Furniture & Fittings	12.50%

- d) Intangible assets
Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire and bring into use the specific software. The costs are amortised over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software programmes are recognised as an expense incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Acquired computer software development costs recognised as assets are amortised over their useful lives (not exceeding three years).
- e) Biological assets
Biological assets are valued at costs which comprises of land development and cane maintenance expenditure.
- f) Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all applicable labour and production overheads.
- g) Foreign currencies
Foreign currency transactions are converted into Kenya Shillings at the exchange rates ruling at the transaction date. Assets and liabilities at the balance sheet date which are denominated in foreign currencies, are translated into Kenya shillings at rates ruling at that date. The resulting differences from conversion and translation are recognized in the income statement in the year in which they arise.

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2024

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

- h) Receivables
Trade receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are incurred. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end.
- i) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market institutions, net of bank overdrafts.
- j) Employee entitlement
Employee entitlements to gratuity and long service awards are recognized when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the statement of financial position date. The monetary liability for the employee's accrued annual leave entitlement at the statement of financial position date is recognized as an expense accrual.
- k) Bad and doubtful debts
Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.
- l) Taxation
Current taxation is provided for on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation. Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilized.
- m) Comparatives
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2 CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

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

Critical estimates are made by the joint receivers/managers in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 1(c) & (d) above.

3 GOING CONCERN

The company has been earmarked for leasing as part of the government's efforts to revitalize and commercialize state-owned sugar enterprises. Other measures include debt write offs, tax arrears write-off, and settling outstanding dues for farmers and workers, among other action plans.

The Sugar Act currently under consideration in the Senate is anticipated to bring order to the sugar sector by eliminating unfair competition.

These initiatives are expected to improve the company's performance significantly.

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2024

	2024 KShs	2023 KShs
4 REVENUE		
Sale of sugarcane	<u>63,859,791</u>	<u>115,753,283</u>
5 COST OF SALES		
Cane harvesting and transport costs	23,276,692	37,680,495
Cane maintenance expenditure	<u>-</u>	<u>6,878,126</u>
	<u>23,276,692</u>	<u>44,558,621</u>
6 OTHER INCOME		
Hire of equipment	3,600,000	5,400,000
Loading services	-	34,894
Reduction in Leave provision	5,020,560	1,458,288
Debt write off Gain	(0)	-
Interest on bank deposits	51,437	17,578
Obsolete stocks overprovision	-	-
Miscellaneous income	<u>14,803,373</u>	<u>1,718,481</u>
	<u>23,475,370</u>	<u>8,629,241</u>
7 ADMINISTRATION AND ESTABLISHMENT EXPENSES		
Salaries and wages	45,078,335	46,148,028
Leave pay provision	-	-
Retirement dues provision	-	-
Motor vehicle running expenses	5,329,081	5,599,825
Electricity	1,761,544	1,629,386
Repairs and maintenance	340,688	349,764
Depreciation	56,127,200	56,413,600
Insurance	456,437	570,741
Bad debt w/f	22,517	-
Paye interest & penalties	277,535	-
Stationery	205,046	129,796
Office expenses	188,178	-
Miscellaneous expenses	4,724,718	-
Software maintenance	540,038	-
Gratuity/Severance increase	13,519,452	-
Staff Refresher	-	-
General office expenses	-	2,185,903
Receivership cost	1,155,700	-
Telephone and postage	6,884	400
Business travel and accommodation	2,170,403	1,165,148
Workers final dues	1,772,952	-
Legal and other professional fees	-	696,000
Responsibility allowance	2,065,800	5,849,144
Accountancy fees	691,000	300,000
Bank charges	<u>63,235</u>	<u>27,933</u>
	<u>136,496,743</u>	<u>121,065,668</u>
8 FINANCE COSTS		
Interest on loans and overdraft	<u>-</u>	<u>79,998,620</u>
9 LOSS BEFORE TAX		
Loss before tax is stated after charging/ (crediting):		
Interest expense	-	-
Depreciation	56,127,200	56,413,600
Auditors' remuneration	691,000	300,000
10 TAXATION		
Income tax		
The Company has made trading losses over the years and therefore no income tax liability is likely to arise.		
Deferred tax		
No deferred tax has arisen due to accumulated tax losses (Note 24)		

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 30 JUNE 2024

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land KShs	Buildings KShs	Plant & machinery KShs	Motor vehicles & tractors KShs	Furniture, fittings & other equipment KShs	Total KShs
Year ended 30 June 2024						
Cost /Valuation						
At 1st July 2023	2,500,000,000	190,000,000	465,822,000	34,234,444	360,000	3,190,416,444
At 30th June 2024	2,500,000,000	190,000,000	465,822,000	34,234,444	360,000	3,190,416,444
		9,500,000	46,582,200	286,400	45,000	
Depreciation						
At 1st July 2023	-	28,500,000	139,746,600	34,234,444	135,000	202,616,044
2019/20 Charge Adj	-	6,333,334	31,054,800	190,933	30,000	37,609,067
22/23 dep adjustment	-	-	-	(190,933)	-	(190,933)
Charge for the year	-	9,500,000	46,582,200	-	45,000	56,127,200
At 30 June 2024	-	44,333,334	217,383,600	34,234,444	210,000	296,161,378
Net Book Value						
At 30th June 2024	2,500,000,000	145,666,666	248,438,400	-	150,000	2,894,255,066
Year ended 30th June 2023						
Cost /Valuation						
As at 1st July 2022	2,500,000,000	190,000,000	465,822,000	34,234,444	360,000	3,190,416,444
Disposals	-	-	-	-	-	-
As at 30th June 2023	2,500,000,000	190,000,000	465,822,000	34,234,444	360,000	3,190,416,444
Depreciation						
As at 1st July 2022	-	19,000,000	93,164,400	33,948,045	90,000	146,202,445
Charge for the year	-	9,500,000	46,582,200	286,400	45,000	56,413,600
As at 30th June 2023	-	28,500,000	139,746,600	34,234,444	135,000	202,616,045
Net Book Value						
As at 30th June 2023	2,500,000,000	161,500,000	326,075,400	-	225,000	2,987,800,399

The buildings and plant and machinery, which were revalued on 31 October 2019 at KShs 190,000,000 by Tysons limited are not in use following the closure of the sugar factory in March 2001.

The land, buildings and plant and machinery were revalued by Tyson Values Ltd on 31st october 2019 for purposes of advising on their current market value for sale purposes.

The prior year adjustments of 2019/2020 relates to depreciation charge for FY 2019/2020 for eight months november 2019 to june 2020 not factored in our previous books as per the valuation report of october 2019 by tyson ltd.

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2024

	2024 KShs	2023 KShs
12 GROWING PRODUCE		
Standing cane crop		
At beginning of the year	201,221,068	192,262,723
Additions at cost	8,081,276	6,878,126
Decrease due to harvest	<u>-</u>	<u>(6,878,126)</u>
	<u>209,302,344</u>	<u>192,262,723</u>
Gain in fair value attributed to price change	-	4,595,400
(Loss)/Gain in fair value attributed to physical changes	<u>-</u>	<u>4,362,945</u>
Fair value (loss)/gain during the year	<u>(114,989,773)</u>	<u>8,958,345</u>
Carrying amount at the end of the year	<u>94,312,571</u>	<u>201,221,068</u>
Net gain/(loss) on biological assets		
Standing cane crop	<u>(114,989,773)</u>	<u>8,958,345</u>

Significant assumptions made in determining the fair values of standing cane crop are:

Cane of 6 months and below is assumed to be immature and has no determinable market value.

Immature cane is stated at cost. Mature cane has been stated at fair value less point of sale costs.

Nucleus Estate growing cane is not insured against fire. No provision has been made in the financial statements for possible losses in the event of any burnt cane which cannot be salvaged.

	2024 KShs	2023 KShs
13 INVENTORIES		
Current Movables	3,705,508	-
Consumable stores, spares and loose tools	47,438,029	47,795,434
Less provision for obsolete stocks	<u>(47,438,029)</u>	<u>(47,438,029)</u>
	<u>3,705,508</u>	<u>357,405</u>

14 TRANSACTIONS WITH RELATED PARTIES

Due from related parties		
Muhoroni Sugar Company Limited (In Receivership)	<u>169,919,599</u>	<u>214,040,499</u>

The companies are related by way of ownership and common management.

15 TRADE AND OTHER RECEIVABLES

Trade receivables	720,997	7,439,204
Prepayments and sundry receivables	<u>652,734</u>	<u>277,001</u>
Total current receivables	1,373,731	7,716,205
Pre-receivership receivables	<u>90,835,444</u>	<u>90,835,444</u>
	92,209,175	98,551,649
Less provision for bad and doubtful debts	<u>(90,835,444)</u>	<u>(90,835,444)</u>
	<u>1,373,731</u>	<u>7,716,205</u>

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 30 JUNE 2024

		2024	2023		
		KShs	KShs		
16 SHARE CAPITAL					
Issued and fully paid:					
2,100,000 ordinary shares of KShs 20 each		<u>(42,000,000)</u>	<u>42,000,000</u>		
Authorised:					
10,000,000 ordinary shares of KShs 20 each		<u>200,000,000</u>	<u>200,000,000</u>		
17 CAPITAL RESERVES					
Revaluation reserves		<u>(4,292,918,934)</u>	<u>(4,292,918,934)</u>		
The reserve arose on revaluation of property, plant and equipment in 2021 as per valuation of 31st October 2019.					
18 BORROWINGS					
	Principal amount KShs	Interest accrued KShs	Debt W/F	Total 2024 KShs	Total 2023 KShs
Secured loans:					
Kenya Sugar Board	<u>1,194,658,062</u>	<u>664,888,879</u>	<u>(1,859,546,941)</u>	<u>-</u>	<u>1,859,546,941</u>
Unsecured loans:					
Ministry of Finance	454,688,200	1,620,806,469	<u>(2,075,494,669)</u>	<u>-</u>	2,075,494,669
Grantham Security	<u>80,234,694</u>	<u>-</u>		<u>80,234,694</u>	<u>80,234,694</u>
	<u>534,922,894</u>	<u>1,620,806,469</u>	<u>(2,075,494,669)</u>	<u>80,234,694</u>	<u>2,155,729,363</u>
Total borrowings	<u>1,729,580,956</u>	<u>2,285,695,348</u>	<u>(3,935,041,610)</u>	<u>80,234,694</u>	<u>4,015,276,304</u>

Notes

The loans from Kenya Sugar Board and Ministry have been written off vide certificate No.039/13th/2023.

MIWANI SUGAR COMPANY (1989) LIMITED (IN RECEIVERSHIP)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 30 JUNE 2024

	2024	2023
	KShs	KShs
19 BANK OVERDRAFT		
Trust Bank Ltd (In Liquidation)	60,112,525	60,112,525
Kenya Commercial Bank Ltd	42,281	42,281
Standard Chartered Bank	-	-
	<u>60,154,806</u>	<u>60,154,806</u>

The overdrafts are unsecured and are not properly supported.

20 TRADE AND OTHER PAYABLES

Trade payables	402,106,163	402,106,151
Other creditors and accruals	244,679,428	255,100,618
Agency taxes and penalties payable	(574,800)	17,340,861,439
	<u>646,210,791</u>	<u>17,998,068,208</u>

21 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of loss before taxation to cash generated from/(used in) operations

Net loss before taxation	(187,428,048)	(112,282,040)
Adjustments for:		
Depreciation charge for year	56,127,200.04	56,413,600
Dep reinstatement for over depr M.V	(190,934.04)	
Amortisation of deferred expenditure	8,081,276	6,878,126
	-	-
Fair value loss on growing produce	106,908,497	(8,958,345)
Interest expense	-	79,998,620
Operating loss before working capital changes	<u>(16,502,009)</u>	<u>22,049,961</u>
Changes in working capital:		
Inventories	(3,348,103)	354,668
Changes in prior year adj	21,275,425,730	
Trade and other receivables	6,342,474	49,748
Trade and other payables	(17,351,942,067)	908,699
Payables adj for prior year resp allo	84,650	
Due from related parties	<u>44,120,900</u>	<u>(14,987,871)</u>
Cash generated from operations	<u>3,954,181,575</u>	<u>8,375,205</u>
Interest paid	-	(79,998,620)
Net cash used by operating activities	<u>3,954,181,575</u>	<u>(71,623,415)</u>
(b) Analysis of cash and cash equivalents		
Cash and bank balances	13,222,606	2,163,917
Bank overdraft	<u>(60,154,806)</u>	<u>(60,154,806)</u>
	<u>(46,932,200)</u>	<u>(57,990,889)</u>

22 EMPLOYEES

The average number of employees for the company during the year was 99(2023: 102).

Miwani Sugar Company (1989) Limited (in Receivership)
Annual Reports and Financial Statements
For The Year Ended June 30, 2024.

23 CONTINGENT LIABILITIES

In 2020, while the Government was pursuing leasing of the State-Owned Sugar Mills including Miwani, Crossley Holdings Limited filed yet another suit at the ELC Kisumu under Constitutional Petition No. 6 Of 2020: Crossley Holdings Limited Vs Cs, Ministry Of Agriculture, Livestock & Fisheries & 3 Others in which it sued the Cabinet Secretary and 3 others challenging the decision of the Government to advertise a tender for lease of the land and factory of Miwani Sugar Company (1989) Limited (In Receivership). The petition was heard and the Presiding Judge allowed the petition, quashed the intended leasing and further upheld the claim of ownership of LR No.7545/3 IR. No.21038 by Crossley Holdings Limited.

Miwani Sugar Company (1989) Limited (In Receivership) have since filed a stay of execution alongside an Appeal at the Court of Appeal and being a Civil Appeal Number E207 of 2021 and which is yet to be heard and determined. The Attorney General as well as Agriculture and Food Authority (AFA) have equally filed an application seeking stay of execution pending determination of the appeal.

As it stands, there are two (2) contradictory decisions to the ownership of LR No.7545/3 IR No.21038. The Court of Appeal declared the purported purchase by Crosley Holdings Limited of the parcel as null and void while the Environmental & Land Court upheld the purchase. It is now up to the Court of Appeal to settle the matter in so far as the conflicting decisions are concerned.

In February 2024, Crossley Holdings Limited through their lawyers moved to Court institute a contempt of Court proceedings against the Cabinet Secretary, Ministry of Agriculture and Livestock Development, the Attorney General, the Agriculture and Food Authority, The County Government of Kisumu and Miwani Sugar Company (1989) Ltd. This is in regard to the court orders granted on 30th September 2021 and issued on 15th October 2021 upon the ruling of Honourable Justice A. O. Ombwayo delivered on 30th September, 2021 in Kisumu ELC Petition No. 6 of 2020 which is hereby attached.

The matter was brought before the Deputy Registrar on May 7, 2024, for the mention of the petitioner's application for contempt of court. It was directed that the application be mentioned before the Judge on August 16, 2024, for directions on its disposal. Notably, there is an active appeal under KISUMU COA CIVIL APPEAL NO. E207 OF 2021: MIWANI SUGAR COMPANY (1989) LIMITED VS CROSSLEY HOLDINGS LIMITED. In this case, Miwani Sugar Company (1989) Ltd has appealed the decision of Honourable Justice A. O. Ombwayo, delivered on September 30, 2021, in Kisumu ELC Petition No. 6 of 2020 (Crossley Holdings Limited vs The Cabinet Secretary Ministry of Agriculture, Livestock & Fisheries & Others), which upheld the claim of ownership of LR No. 7545/3 in favor of Crossley Holdings Limited. The current status is that the application file by Miwani Sugar Company (1989) Limited (In Receivership) seeking to amend Notice of Appeal was heard on 29th February, 2024 and we are awaiting delivery of Ruling. The respective applications seeking stay of execution are yet to be heard despite having written several letters to the President of Court of Appeal pleading on the urgency of the matter.

24 FINANCIAL RISK MANAGEMENT

The company's principal financial instruments comprise cash and cash equivalents, receivables and payables. These instruments arise directly from its operations. The company does not enter into derivative transactions.

The company's activities expose it to a variety of financial risks, including credit risk, liquidity risks, market risks and operational risks. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The Receivers/Managers have overall responsibility for the establishment and oversight of the company's risk management framework.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimizing on the return on the risk.

(i) Interest rate risk

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates. The company's policy is to manage its interest costs by relying primarily on overdraft facilities with its bankers. All other borrowings for specific projects or investments are negotiated on the basis of a fixed rate of interest. The company is therefore not significantly exposed to interest rate risk. The interest movement in the financial asset is negligible and any sensitivity analysis on these instruments would not be representative of the inherent risks associated with the instruments.

(ii) Foreign currency exchange risk

Foreign exchange risk arises from future investment transactions and recognized assets and liabilities. The company's policy is to record transactions in foreign currencies at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the reporting date. All gains or losses on changes in currency exchange rates are accounted for in the statement of profit or loss. The company operates wholly in Kenya and its assets and liabilities are reported in local currency. The company had no significant foreign currency exposure as at 30 June 2024.

25 FINANCIAL RISK MANAGEMENT (Continued.....)

CREDIT RISK

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

Credit risk arises from trade and other receivables, cash and cash equivalents held with banks and amounts due from related parties. The company allows credit facilities to customers with a high credit rating and also places funds with recognised financial institutions with strong credit ratings. In addition most of the sales are made to a related company, Muhoroni Sugar Company Limited (In Receivership) and therefore the company does not consider the credit risk exposure to be significant.

LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its Management have arranged for diversified funding sources, both short term and long term, to meet the company's obligations as and when they fall due.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

26 CAPITAL RISK MANAGEMENT

The primary objective of the company's capital management is to ensure that the company complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The capital structure of the company consists of debt, which includes borrowings, cash and cash equivalents and equity which comprises issued capital and retained earnings. The company has continued receiving funding from the debenture holder, Kenya Sugar Board, for its capital requirements.

27 INCORPORATION

The Company is incorporated in Kenya under the Companies Act.

28 CURRENCY

These accounts are presented in Kenya shillings (KShs).