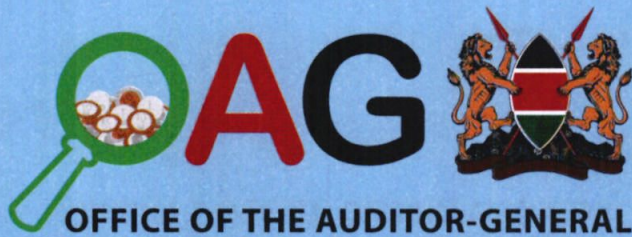
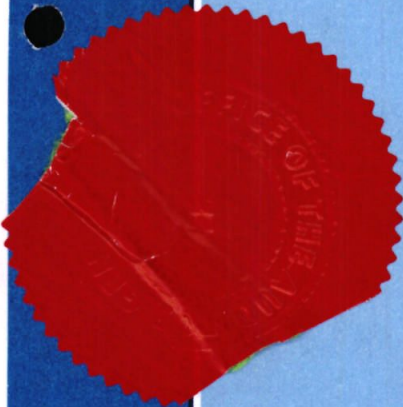


REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 09 APR 2025	DAY: Wednesday
TABLED BY: Hon. Naomun Nago, MP	Deputy Majority Party Whip
OF	
CLEARED AT THE-TABLE: Halima Ahmed	

**THE AUDITOR-GENERAL**

**ON**

**MUHORONI SUGAR COMPANY  
LIMITED (IN RECEIVERSHIP)**

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

OFFICE OF THE AUDITOR GENERAL

RECEIVED



24 DEC 2024



P. O. BOX 1160, KISUMU

**MUHORONI**  
SUGAR COMPANY LTD

(IN RECEIVERSHIP)

**ANNUAL REPORTS AND FINANCIAL STATEMENT  
2023/2024**

Registered Office  
Muhoroni Sugar Factory  
Kericho-Kisumu Road  
P. O. Box 2 - 41017 MUHORONI (KENYA)  
Tel GSM: 0734151474; 0728609809  
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website: [www.muhoronisugar.go.ke](http://www.muhoronisugar.go.ke)

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## KEY COMPANY INFORMATION

### WHO WE ARE

Muhoroni Sugar Co Ltd was incorporated in 1964 by the Mehta Group of India as a Sugar processing mill under the name of East Africa Sugar Industries Ltd, Muhoroni, and began operations in 1966 at an Installed capacity of 800Tonnes Cane per Day (TCD). The company progressively expanded her capacity to 1800 and later to 2200TCD, which has remained unchanged since 1999. The Government of Kenya later acquired more shares in the company and ultimately changed her name to Muhoroni Sugar Co Ltd in 1992.

### OWNERSHIP

Muhoroni Sugar Company is currently owned by the Government of Kenya (82.78%), UKETA Limited (16.86%) and Private Shareholders (0.36%). The Company was put under receivership in 2001 by Kenya Sugar Board and NBK; the latter was paid off leaving AFA-Sugar directorate as sole debenture holder. Upon execution of the Receivership order, the Board of Directors was suspended. Reporting to AFA-SD, the Receivers and Managers now carry out policy formulation and oversee the running of this company in a manner the Board would do.

### 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.

The General Manager oversees day-to-day running of the company reporting to the Joint Receivers and Managers, below him are Departmental Heads and senior Divisional heads responsible as functional officers overseeing operations that fulfil the mission/ objectives of the organisation.

### OUR VISION

*"To be the most efficient and competitive producer of quality sugar and related products"*

### OUR MISSION

*"To efficiently and consistently produce quality sugarcane, sugar and related products to the satisfaction of our customers"*

### OUR MANDATE:-

- (i) Cane development both on the nucleus estate, (including the Miwani Sugar Company nucleus estate); and on outgrowers' farms;
- (ii) Production of quality sugar and rehabilitation and maintenance of the factory in order to sustain the former
- (iii) Production of by-products related to sugar manufacturing and processing

**CORE VALUES**

We subscribe to the following values in our day to day operations:

- ↓ High quality product & services
- ↓ Commitment to excellence
- ↓ Teamwork
- ↓ Integrity
- ↓ Innovativeness
- ↓ Professionalism
- ↓ Corporate social responsibility

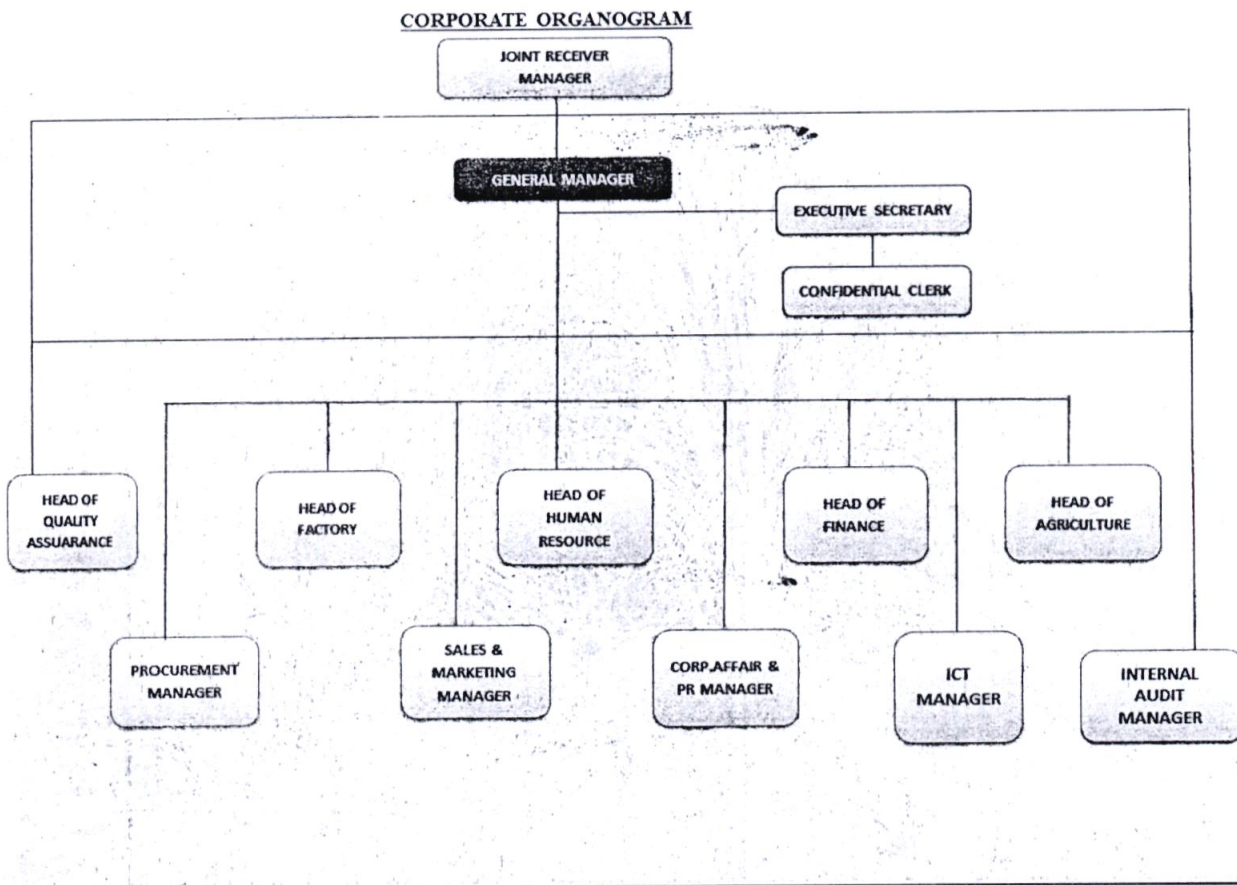
**Principal activities**

The principal activities of Muhoroni Sugar Company Ltd are:-

- (i) The production and sale of sugar and its co-products
- (ii) To establish and manage sugarcane both in our Nucleus Estate and the outgrowers.

**The Management Structure:**

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



The day to day operations are overseen by the General Manager supported by heads of departments and division heads. 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 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:-

1.	Joint Receiver & Manager	Mr. Harun Kirui
2.	General Manager	Mr. Vitalis Oduor
3.	Head Of Factory	Vacant
4.	Head Of Human Resource	Ms. Seline Chepkorir
5.	Head Of Quality Assurance	Mr. Gabriel Odipo
6.	Head Of Finance	CPA. Joseph Alai
7.	Head Of Agriculture	Mr. Paul Omondi
8.	ICT Manager	Mr. Gideon Biretch
9.	Internal Auditor	CPA. Irene Abeti
10.	Sales & Marketing Manager	Ms. Eveline Ruto
11.	Procurement Manager	Mr. James Orori
12.	Corp.Affair & PR Manager	Vacant

### **CORPORATE INFORMATION**

#### **JOINT RECEIVERS & MANAGERS**

1. Mr. Harun Kirui

#### **REGISTERED OFFICE**

Muhoroni Sugar Factory  
Kericho-Kisumu Road  
P. O. Box 2 - 41017  
MUHORONI (KENYA)

#### **CONTACTS**

Tel GSM: 0734151474; 0728609809  
(+254)0202333559  
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website: [www.muhoronisugar.go.ke](http://www.muhoronisugar.go.ke)

#### **PRINCIPAL AUDITORS**

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

#### **BANKERS**

Kenya Commercial Bank  
Muhoroni Branch  
P.O. Box 20  
Muhoroni.





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






National Bank Of Kenya Limited  
Kisumu Branch  
P O Box  
Kisumu.

**ADVOCATES**

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 &amp; MANAGER)</p> 	<p>Mr. Harun Kirui is the joint receiver &amp; manager of both Muhoroni Sugar Co. Ltd and Miwani Sugar Co. (1989). He was seconded from Agriculture and Food Authority. He holds a Bachelor's degree in Commerce and a CPAK. He has been the Joint Receiver Manager from May 2018.</p>
<p>2. Mr. Vitalis Oduor                  (GENERAL MANAGER)</p> 	<p>Mr. Vitalis Oduor is the Acting General Manager. He holds a Bachelor of Science Chemistry. Mr. Oduor is an experienced sugar technologist who has served both as the EHS Manager and the production manager. He is an ISO Lead Auditor. He has 33 years' experience.</p>
<p>3. MR. GABRIEL ODIPO                  (QUALITY ASSURANCE MANAGER)</p> 	<p>Mr. Gabriel Odipo is the Acting Head of Factory Department and The Substantive Quality Assurance Manager. He holds a Bachelor of Bachelor of Commerce (Management Option) from Catholic University of Eastern Africa, Higher Diploma in Food Technology and Diploma in Food Technology. He is the company MR and ISO Lead Auditor. He has 35 years' experience in sugar technology. She took over on 15<sup>th</sup> January, 2018.</p>
<p>4. MS. SELINE CHEPKORIR                  (HEAD OF HUMAN RESOURCES)</p> 	<p>Ms. Seline Chepkorir is the Acting Head Of Human Resources Department. She has a Bachelor degree of Business Administration &amp; Management (Human Resource); Diploma in Human Resource Management. She has 25 years of experience in the sugar Industry.</p>

<p>5. CPA. JOSEPH ALAI                  (HEAD OF FINANCE DEPARTMENT)</p> 	<p>CPA. Joseph Alai is the Acting Head of Finance Department. He holds an Executive-Master of Business Administration, Bachelor of Business Administration from and a CPAK. He has served for 30 years.</p>
<p>6. Mr. Paul Omondi                  (HEAD OF AGRICULTURE DEPARTMENT)</p> 	<p>Mr. Paul Omondi is the Head Of Agriculture Department. He holds a Bachelor of Science Degree in Agriculture, Master's degree in Botany from and Post graduate certificate in Agriculture. He has 27 years' experience.</p>
<p>1. CPA. Irene Aura                  (INTERNAL AUDIT)</p> 	<p>CPA. Irene Aura is the Internal Auditor. She has a Bachelor of Commerce (Accounting Option) and a CPAK. She has 15 years of experience in the sugar Industry.</p>
<p>2. Ms. Eveline Ruto                  (SALES &amp; MARKETING MANAGER)</p> 	<p>Ms. Ms. Eveline Ruto is The Sales &amp; Marketing Manager. She has a Bachelor degree of Business Administration, Diploma Business Management. She has 29 years of experience in the sugar Industry.</p>
<p>3. Mr. James Orori                  (PROCUREMENT MANAGER)</p> 	<p>Mr. James Orori is the Procurement Manager. He holds a Master of Business Administration, Bachelor of Business Administration (Supply Chain Management), Diploma in Business Administration. He has 33 years' experience.</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 Muhoroni Sugar Co Ltd, I am pleased to present the Management Report detailing the Company's business operations and financial performance for the year ending June 30, 2024. The TC/TS for the review period was 16.45, compared to 15.30 in the previous financial year. The factory processed a total of 234,000 tons of cane, down from 244,013 tons last year. Average sugar prices were 127,354 per ton, an increase from 109,052 per ton in the prior year.

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.1.65 Billion net of taxes (FY 2022/23 – 1.7 Billion). The sales were below target due to low production volumes, frequent factory breakdowns and occasional lack of adequate cane in the yard for milling. Prices of sugar averaged Kes.127,353.71 net of taxes per ton ( 2022/2023- Kes.109,052.10).

Challenges for the period under review were as follows:

- **High Debt Portfolio:** Muhoroni Sugar Company has benefitted from the GoK debt write-off to prepare for leasing. However, this exercise is still on-going. The company store owes trade creditors, workers and other statutory bodies.
- **Inadequate Factory Maintenance:** Factory Machinery is not properly maintained due to insufficient funding, hence Low Efficiency & Capacity Utilization.
- **Weary Infrastructure:** Heavy Cane haulage traffic creates heavy strain on Road network – Roads are crumbling as a result of insufficient funding since disbandment of SDF.
- **Low Cane availability:** Available cane is insufficient to support current demand as a results of Low Farmer funding, low cane Yields and ineffective Regulation controls.
- **Inadequate Industry Regulations:** The sector lacks enforceable regulations to effectively manage sugar-cane development
- **Limitations of Receivership Status:** This status impedes our ability to hire and retain high caliber

## SUSTAINABILITY STRATEGY

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

### a) Short term measures

- Conduct annual maintenance to boost factory efficiency.
- Implement cost-saving measures to enhance operational efficiency.
- Expand cane cultivation with fast-maturing varieties in both the nucleus estate and outgrower regions.
- Transition to ISO 9000:2015 certifications.
- Increase brand visibility for our sugar products in major towns across the country.
- Improve extension services for farmers on the latest technologies in early-maturing cane varieties to enhance yields.

**b) Long term Measures**

- Enhance brand visibility and distribution channels to boost revenue.
- Optimize costs across the value chain to lower production expenses.
- Modernize the factory and expand its capacity.
- Diversify revenue streams through co-generation.



.....  
Harun Kirui  
**Joint Receiver & Manager**

## **CORPORATE GOVERNANCE STATEMENT**

The Joint Receivers & Managers of Muhoroni 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.

Muhoroni Sugar Co. Ltd was Incorporated as East African Sugar Industries in 1964 (*also refer to Sessional Paper No 10 of 1965 on importance and role of the sugar industry*); commissioned in 1966, and derives its authority and accountability from the State Corporations Act Cap 446 and the Company's Act Cap 486 of 2015 of the laws of Kenya.

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 Board regularly meets 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

### AGRICULTURE DEPARTMENT

- a. Develops and sources of raw product (sugarcane) for the Factory.
- b. The company has a cane catchment area of 20,000Ha comprising of Kericho, Nandi and Kisumu County.
- c. Muhoroni Sugar is located at an altitude of 1,400m with an annual rainfall of 1,300mm.
- d. 15,000 outgrowers farmers with an average land ownership of 1Ha supply 90% of cane requirement, while 10% is sourced from the Nucleus Estate.
- e. Cane varieties: CO 617 - 70%; 30% under improved varieties mainly CB38-22 and KEN series. - target 70% of improved varieties in future.
- f. Cane Development –
  - i. Nucleus Estate occupies 1,666Ha available land; supply 43,243tons against a potential of 86,000tons
  - ii. This catchment area has potential of 988,384MT at a yield of 80 TCHa.

A summary of the achievements for the 12 months ending 30<sup>th</sup> June, 2024 were as follows:

***Table 1: Agriculture Department Key Operational Indicators***

PERFORMANCE PARAMETERS	ACTUAL 12 MONTHS 2023/24			TARGET 12 MONTHS 2022/23			VARIANCE
	OG	N/E	TOTAL	OG	N/E	TOTAL	
Area under cane (ha)	13,836.65	1,469.76	<b>15,306.41</b>	13,915.59	1,433.20	<b>15,348.79</b>	42.38
Cane Planting (ha)	570.26	118.20	<b>688.46</b>	622.48	474.93	<b>1,097.41</b>	(408.95)
Cane supply (Tons)	196,577.88	34,610.75	<b>231,188.63</b>	209,625.65	33,996.69	<b>243,622.34</b>	(12,433.71)
Mean Cane yields (TCH)	56.19	49.23	<b>52.71</b>	55.71	41.69	<b>48.70</b>	4.01

#### **1. Area Under Cane:**

The total area cultivated with cane is 15,306.41 hectares, which falls short of the target due to reduced planting caused by insufficient funding for cane development in both the Nucleus Estate and outgrower regions, largely due to accumulated arrears owed to farmers.

## **2. Cane Planting:**

The decline in cane planting can be attributed to financial constraints that hindered land preparation and the transportation of seed cane.

## **3. Cane Supply**

The shortfall in cane supply from both the Nucleus Estate and outgrowers is due to the reduced area under cultivation and an increase in cane poaching from newly established sugar mills.

## **4. Cane yield**

The overall target yield of 60.00 tons per hectare was not met due to the harvesting of poorly maintained cane crops.

### Way forward

To realize the full potential of the Department's output, the following actions are recommended:

- 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.
- Ensure prompt payment to farmers.

## **FACTORY & QUALITY DEPARTMENTS**

The factory's mandate is to receive and process sugarcane to produce sugar and its by-products—Final Molasses, Bagasse, and Filter Cake. The factory has a rated milling capacity of 2,200 tons per day (TCD); however, due to machinery wear and delays in timely maintenance, it typically processes between 1,900 and 2,000 TCD at peak operations. This results in an annual peak capacity of 550,000 metric tons of cane throughput, based on a 300-day cropping season.

Factory & Quality Assurance Departments comprise combined workforce of 427 staff. There are 4 Divisions in Factory department – Mechanical Engineering, Electrical Engineering, Production and sub-division Engineering Projects and Planning and Three Section in Quality Assurance – Laboratory, Environment Health & Safety and ISO secretariat

### **1.1. Factory Target operating Indices:**

Grinding rate 100TCH; Extraction 90-91; RME 94; BHR 84 – 86%

### **1.2. Factory Equipment detail:**

1. Weighbridge: 2 weighbridge platforms of Max load capacity 100MT.
2. Cane Yard: Bays holding capacity 2500MT; Has 3 Electric Overhead Travelling (EOT) cranes of average 10MT capacity each;
3. Pre-Milling: 2 sets of knives with 48 and 56-arm hubs; Prime movers – 315KW electric motors
4. Mills: 6-mill Tandem (operating 5 mills, one mill by-passed); conventional 3—roller mill; Mill 1 (1999), roller size 36\*72; Mills 2 – 5(1966/70): roller size 30\*60-in; prime mover Steam turbines.
5. Boilers: 2 operating Boilers, 40TPH capacity each, 27Bar operating pressure, 370oC dry steam temperature.

6. Power generation: 1 no 3MW Turbo Alternator (TRIVENI) installed 2010 - operating; 1.5MW TA(STORK) stand-by, installed in 1978)\*, 2 nos obsolete TA 1&2 – installed 1966; Back-up Diesel generator 1000KVA
7. Process-house: - Single liming and heating juice processing system used; all processing equipment capable of handling up to 2500 TCD milling through-put, sugar packaging equipment and necessary utilities.

### 1.3. Quality Assurance and Control System

1. Quality control Lab for Manufacturing operations monitoring and quality records
2. QMS & EMS Certification - The Company acquired ISO 9001 QMS certification in 2008 and maintained until 2018 whence renewal and migration to ISO 90001:2015 has not been done. Certification to ISO 14001:2008 (Environmental Management System, between 2013 and 2016.

### Finished Products:

1. The company produces Plantation Brown Sugar “MUHORONI BROWN SUGAR” as per Kenya Standard Specification KS 749:2010, product code #1440 – in the following derivatives:
2. Branded pillow packs (MUHORONI SUGAR): 2kg, 1kg and ½ kg for supermarkets
3. large Bag Packaged 50kg , 25kg, 10kg 5kg
4. The Company also produces Cane Molasses in compliance with Kenya Standard Specification KS 814:2014
5. The Company also sells excess bagasse subject to availability – mainly to corporate clients, for values addition.

### Improvement Needs –

1. Dilapidated infrastructure: The factory roof and falling wall claddings need significant resource injection to bring to optimality.
2. Low factory equipment efficiency: At capacity utilization averaging 55%, sustainable operations call for comprehensive rehabilitation and modernization; for instance M.E and BHR now stand at 87.7 and 70.90 against targets of 91 and 84 respectively due to low factory efficiency. Furthermore, need for comprehensive automation is critical.
3. Skills succession: There has existed a poor plan for skills renewal and improvement as no plans are in place for skills recruitment training and replacement for sustainability and growth.
4. Modernization & Renovation of the factory plant: Most of the line equipment are aged – this is largely responsible for high cost of production.

In the period under review (from July 1<sup>st</sup>, 2023 to June 30th, 2024), the company milled 234,000 tons of cane against a target of 486,950 tons resulting to a negative variance of 252,949 tons of cane and produced 13,746 tons of sugar against a target of 41,391 tons giving a negative variance of 27,645 tons. The TC/TS averaged 17.02 against a target of 11.76 giving a negative variance of 5.26.

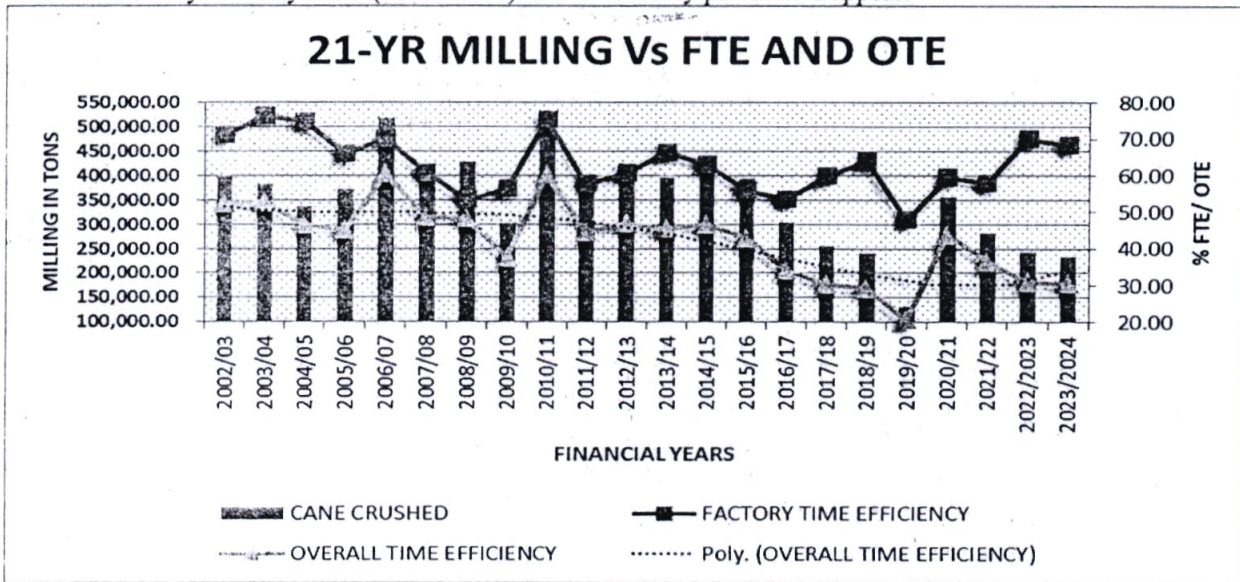
**A) PERFORMANCE 1<sup>ST</sup> JULY 2023 TO 30TH JUNE 2024**

Parameter	Actual	Target	Variance
Cane Milled (Tons)	234,000	486,950	(252,949)
Sugar Bagged (Tons)	13,746	41,391	(27,645)
TC/TS	17.02	11.76	(5.26)
Capacity Utilization (%)	52.66	75.00	(22.34)
Factory Time Efficiency	68.52	82.00	(13.48)
Pol in Cane (%)	10.27	10.35	(0.08)

- i. Cane milled and sugar bagged total targets for the year was not achieved due factory plant fatigue indicating need for annual maintenance.
- ii. Capacity utilization was below target due to low cane volumes and frequent factory breakdowns due to lack of maintenance in critical areas affecting factory efficiency.
- iii. Factory time efficiency below target due to delayed annual maintenance and lack of critical spares.

**21- YEAR OPERATING TREND:**

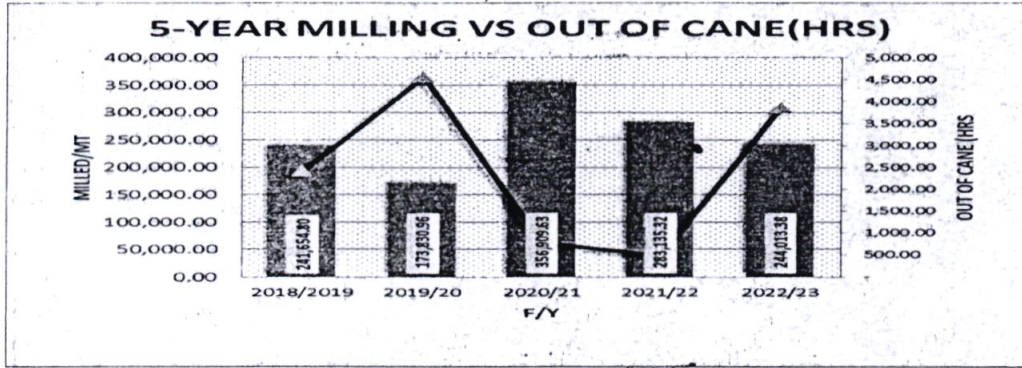
This 21-yr Factory trend (2003 -2024) shows how Key parameters appear:



**Factory - 5-year Review:**

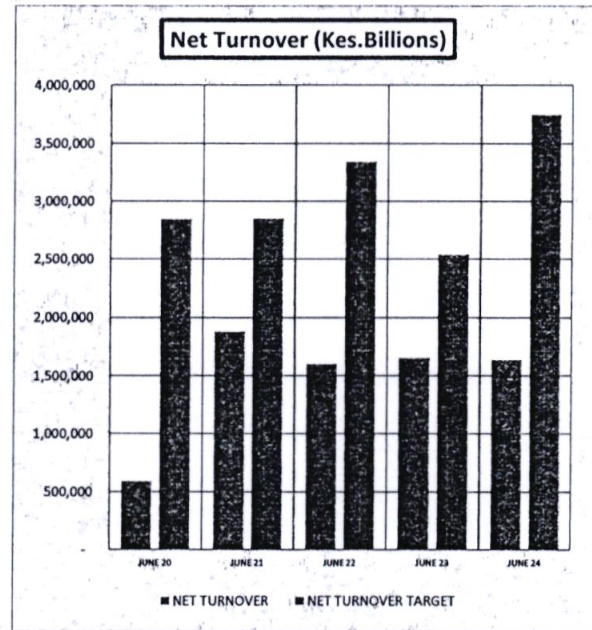
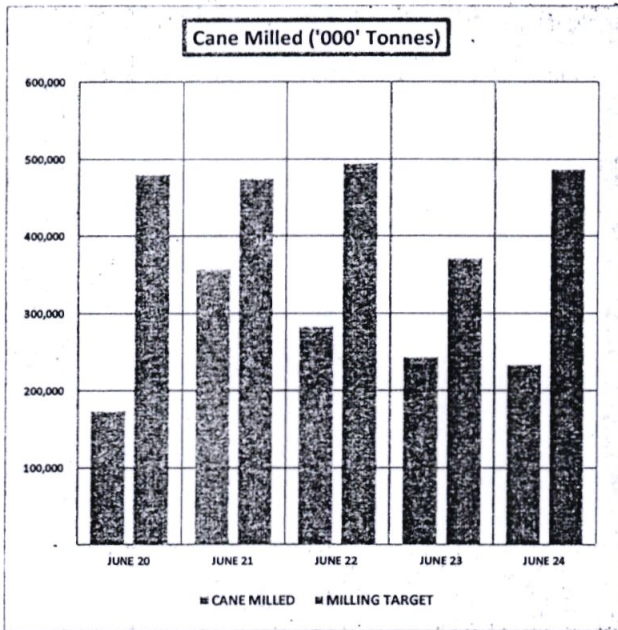
Key Factory performance indicators include Throughput, Recoveries and Time account. The last five years have witnessed average through-put falling below the *optimal* annual capacity of 600,000MT. The best performing year within this time horizon was 2020/21 recording 356,900MT, courtesy of improved cane supply and better Process-house performance (BHR = 75.29). In the same year, the company carried out overhaul maintenance intended to address the dilapidated status of factory machinery, this coming after a 6-year period of skipping annual overhaul maintenance.

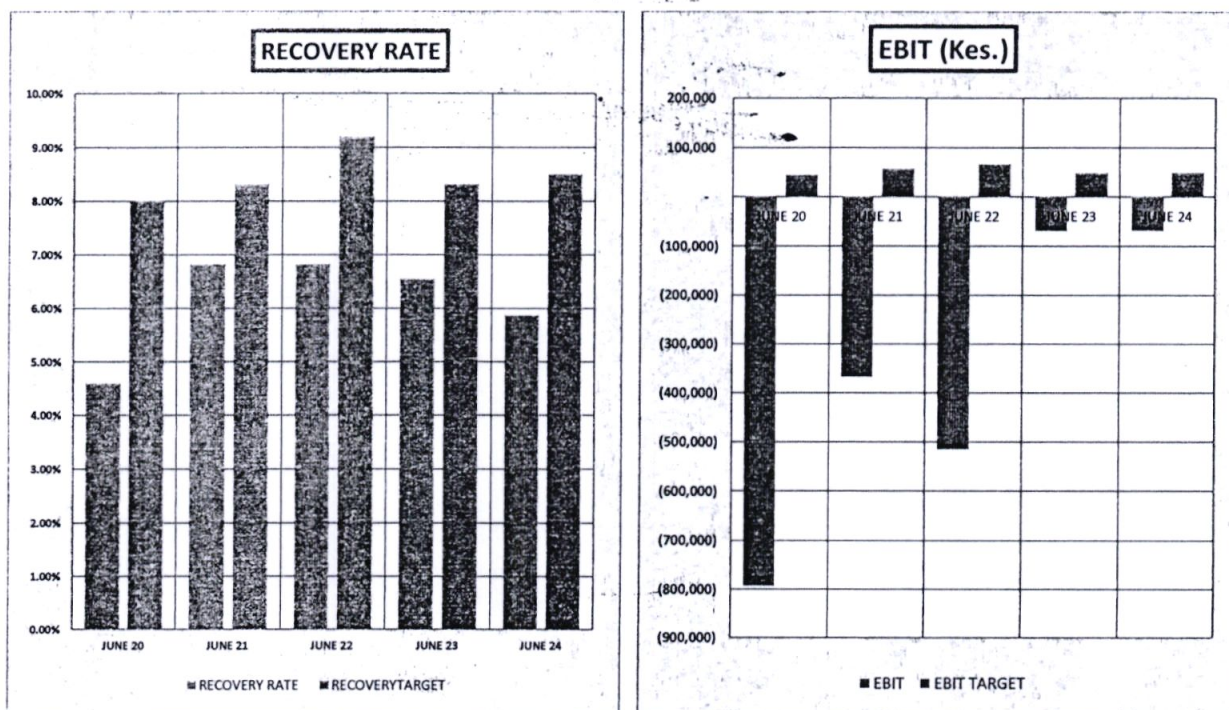
The graph below represents the trend of Factory milling against out of cane downtime between 2018 and 2023.



From the above graph, the later years 2021/22, 2022/23 and 2023/24 have witnessed increasing cane shortage, with 2022/23 losing 3,864Hrs (equivalent to 5.3months) on account of cane outage! This implies that nearly half of the time available was lost on account of cane shortage. This shortage particularly propagated a significant drop in cane harvesting ages, which fell from an average range of 16-18 months down to 13-12months, with a corresponding drop in Pol% cane that registered 9%, effectively suppressing recovery % cane down to 4.94% and a record-low conversion ratio (TC/TS ) of 20.25, against the year target of (TC/TS) 12.5.

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

Muhoroni Sugar Company has established a tree planting nursery that has been operational since 2007 under the agriculture department of the nucleus estate section. The goal is to produce sufficient tree seedlings for planting on company land and within the surrounding community.

In total, 58,750 assorted tree seedlings have been planted: 10,000 seedlings by the environmental health and safety section, 41,500 seedlings under the nucleus estate, and 4,500 seedlings planted by KEFIS, which include gravellier, pine, mango, avocado, eucalyptus, guava, and jacaranda trees.

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.

### Corporate Social Responsibility (CSR) Activities

During the financial year from July 1, 2023, to June 30, 2024, Muhoroni Sugar Company has engaged in the following CSR initiatives:

- Education:** The Company operates a premier primary school and a junior secondary school that have excelled nationally in KCPE examinations over the past 20 years.
- Support for Public Education:** Muhoroni Sugar Company has provided land for two public primary schools (Muhoroni Factory Primary School and St. Agnes Muhoroni Primary School) and one public secondary school (Our Lady Queen of Peace Secondary School).
- Water Provision:** Treated water has been supplied to the surrounding community, including:
  - Churches (e.g., SDA Church)
  - Schools (e.g., Muhoroni Factory Primary, Our Lady Queen of Peace Secondary, Muhoroni Success Primary)
  - Muhoroni Stadium
  - MUSCO Junction squatters and “Konyango” Settlement

- Clean drinking water at subsidized rates during funerals and gatherings.
- 4. **Road Rehabilitation:** Roads within the Muhoroni Sugar outgrower zone have been rehabilitated and maintained to improve mobility, although funding limitations affected the scope of this initiative.
- 5. **Health Services:** The Company’s dispensary has provided ARVs to 369 registered individuals in the surrounding community.
- 6. **Maternal Care:** Antenatal care services are provided for children under five, with an annual target of 45 participants.
- 7. **Health Collaborations:** Health services are delivered in partnership with the Ministry of Health, Aphia Plus, OGRA, and ICAP.
- 8. **Infrastructure Support:** In collaboration with the County Government of Kisumu, MUSCO repaired the road to Nyayo Sub County Hospital to facilitate easier access for the community.
- 9. **Community Empowerment:** Muhoroni Stadium is available to the community for talent development initiatives.

**Education**

- The company runs **Muhoroni Success Primary & Junior Secondary Schools** has consistently maintained top position regionally, providing high quality affordable education to the community – currently developing Junior Secondary School to embrace the CBC transition.

The last 5 years, the school has posted the following Means mark in KCPE:

Year	Mean
2023	380.00
2022	377.57
2021	381.87
2020	377.74
2019	384.13

**Healthcare**

The company remains committed to supporting the community by providing medical services through its dispensary. The Ministry of Health conducts rapid response programs and other government health initiatives, including Mother-to-Child Healthcare services. Additionally, the company operates a VCT Center that offers free counselling and testing for individuals affected by HIV/AIDS.

**Environmental Sustainability**

The company has consistently prioritized environmental conservation by designating 64.3 hectares of the nucleus estate as forest cover and donating tree seedlings to farmers and schools to enhance tree coverage. Additionally, the company operates a tree nursery that produces and sells seedlings to local farmers and the community at subsidized prices. We have planted and also distributed more than 27,000 tree-seedlings in the last 3 years, including high quality HASS avocado which is an export product. The Management donated 15000 tree seedlings in the last National tree planting exercise.

**Infrastructure**

The company maintains rural access infrastructure on selected roads as part of her CSR, the Company supports the infrastructure within its Out growers’ zone by grading and gravelling roads.

**Water**

The company supplies clean water to the neighbouring community. In addition, the company also supplies clean water to our farmers for use during funerals and other functions upon request and subject to availability of fuel and machinery.

**Community Empowerment:**

Muhoroni Stadium is available to the community for talent development initiatives.



.....  
Harun Kirui  
**Joint Receiver & Manager**

## REPORT OF THE COMPANY MANAGEMENT

The Company Management present their report together with the audited financial statements of Muhoroni Sugar Co Ltd. (the “company”) for the year ended 30<sup>th</sup> June 2024, which shows its state of affairs.

The audited financial statements of the company are used by the company debenture holder, management, customers, employees, lenders and the general public.

## PRINCIPAL ACTIVITIES

The principal activities of the company are the production and sale of sugar and other by products

## PRODUCTION

The following are the comparative statistics of cane processed and sugar production for the last five years:

	<b>Sugar Bagged (Tonnes)</b>	<b>Cane Milled (Tonnes)</b>	<b>TC:TS</b>
2023/2024	13,745.95	234,000	17.02
2022/2023	15,982.32	244,013	15.27
2021/2022	19,321.50	283,135	14.65
2020/2021	24,373.38	356,910	14.64
2019/2020	7,971.49	173,831	21.81

## OPERATIONS OF THE COMPANY

The government, as the major shareholder, plans to divest its stake in the sugar company to improve its performance and competitiveness through privatisation.

## RESULTS

	2023 KSh	2023 KSh
Loss before taxation	(467,863,963)	(594,551,386)
Taxation	=	=
Loss for the year transferred to accumulated deficit	467,863,963	(594,551,386)

## AUDITORS

The Auditor General is responsible for the statutory audit of the company’s books of account in accordance with article 229 of the Constitution of Kenya and the Public Audit Act 2015, for the year ended June 30, 2024.

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.

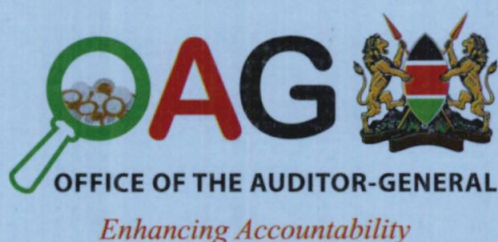
The Muhoroni Sugar Co Ltd. Financial Statements were approved ON 24TH DECEMBER 2024 and signed on its behalf by:



.....  
Harun Kirui  
**Joint Receiver & Manager**

# REPUBLIC OF KENYA

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NAIROBI

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

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### PREAMBLE

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Muhoroni Sugar Company Limited (In Receivership) set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and

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

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

## **Basis for Disclaimer of Opinion**

### **1. Variances in the Financial Statements**

Review of the annual report and financial statements revealed variances between the amounts reflected in the statement of profit or loss and other comprehensive income and statement of financial position with the ledgers and supporting documents as indicated below:

- (i) The statement of profit or loss and other comprehensive income and as disclosed in Note 26 to the financial statements reflects an amount of Kshs.2,276,567,913 in respect of cost of sales, however, the ledgers provided for audit revealed an amount of Kshs.1,700,703,396, resulting in a variance of Kshs.576,280,517 that has not been reconciled or explained. Included in the expenditure on fuel and oil lubricants of Kshs.13,283,089 is an opening balance of Kshs.4,142,855 which has not been supported with schedules. Further, the plant spares and maintenance of Kshs.47,075,810 includes direct debits of Kshs.9,006,529.
- (ii) Further, the statement of comprehensive income and as disclosed in Note 26 reflects an amount of Kshs.184,286,115 relating to other operating income while the supporting ledgers reflects an amount of Kshs.183,854,965 resulting to unreconciled variance of Kshs.431,150.
- (iii) In addition, the statement of comprehensive income and as disclosed in Note 27 reflects an amount of Kshs.224,413,202 relating to administrative expenses while the supporting ledgers reflects an amount of Kshs.208,175,435 resulting to unreconciled variance of Kshs.16,237,767.
- (iv) The statement of financial position and as disclosed in Note 11 reflects growing produce balance of Kshs.434,978,188. However, the ledgers provided for audit review had a balance of Kshs.302,668,585 resulting to an unreconciled variance of Kshs.132,309,603.

In the circumstances, the accuracy and validity of the balances reflected in the financial statements could not be confirmed.

## **2. Unsupported Administrative Expenses**

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.224,413,201 in respect of administrative expenses. Review of the schedules supporting the expenses reflected prior year adjustments of Kshs.8,725,952 and receiver managers expenses of Kshs.3,300,000. However, the Management has not explained or supported the adjustments. Further, the treatment of the adjustment is contrary to IAS 8.42 which states that, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery, by restating the comparative amounts for the prior period presented in which the error occurred.

In the circumstances, the accuracy and correctness of administrative expenses of Kshs.224,413,201 could not be confirmed.

## **3. Unsupported Taxes and Loan Written Off**

The statement of changes in equity reflects write off of taxes and loans of Kshs.26,400,466,594 which was previously reported under other operating income which has not been explained or supported. Further, a review of the National Assembly memorandum dated 14 September 2023 indicated that loans owed to the Government of Kshs.9,689,313,374 and tax arrears of Kshs.3,238,703,456 totalling to Kshs.12,928,016,830 were approved to be written off resulting in unexplained variance of Kshs.13,472,449,734.

In the circumstances, accuracy and completeness of the taxes and loans written of Kshs.26,400,466,594 could not be confirmed.

## **4. Non-Compliance with the Public Sector Accounting Standards Board Reporting Framework**

Review of the Company's financial statements revealed the following inconsistencies:

- i. The statement of profit or loss and other comprehensive income included components in respect of revenue, cost of sales, other operating income and administrative expenses which were not disclosed under Notes to the Financial Statements.
- ii. In the report of the previous year, several audit matters were raised under report on the financial statements and report on lawfulness and effectiveness in use of public resources. However, Management has not prepared progress follow up of audit recommendations and disclosed the issues and how the matters were resolved.
- iii. The Management has not included the page on report of the independent auditor in the financial statements.
- iv. Further, the table of content does not include the financial statements, notes to the financial statements and other important disclosures.

- v. In addition, the numbering in the table of contents was inconsistent with the contents of the financial statements.
- vi. Referencing of note numbers on the face of the financial statements is not consistent with the explanatory notes to the financial statements.

In the circumstances, the financial statements were not presented in accordance with the applicable financial framework as prescribed by the Public Sector Accounting Standards Board (PSASB).

## **5. Unsupported Fair Value Gain**

The statement of profit or loss and other comprehensive income and as disclosed under Note 11 to the financial statements reflects fair value gain on growing produce of Kshs.271,139,813. However, nucleus estate data and reports from agriculture department disclosed Kshs.138,830,210 as the fair value gain during the year resulting to an unreconciled variance of Kshs.132,309,603.

In the circumstances, the completeness and accuracy of the gain of Kshs.271,139,813 for the year ended 30 June, 2024 could not be confirmed.

## **6. Inaccurate Disclosure of Revenue**

The statement of profit or loss and other comprehensive income reflects revenue of Kshs.1,651,398,990 in respect of cane and molasses sale. Review of annual sales revealed that the Company made cane sales of Kshs.1,669,840,051 resulting to an unexplained variance of Kshs.18,441,061. Further review revealed that the amount included sugar sales of Kshs.1,508,145,250. However, the following anomalies were noted in relation to the sugar sales:-

- i. Management had unexecuted sugar orders of Kshs.100,350,000 as at 30 June, 2024 an indication that the company was financing its operations through customer borrowings. This was contrary to Section 7.2.1.14 of the Operating Procedure for Sales and Marketing, 2016 which require that the sales, marketing and planning Manager shall ensure that processing sales orders from the time of receipt of customer order to Chief Accountant takes no more than 20 minutes to enhance efficiency. The subsequent clearing processes lasting more than 50 minutes will attract Sales and Marketing Manager intervention.
- ii. Further, the outstanding sales invoices could not be traced in the orders report an indication that the Management did not maintain an updated sales order register. This was contrary to Section 6.7 of the financial operating procedures which require the Debtor's Supervisor to ensure all sales invoices and debit notes for sugar, molasses and services are authorized and shall maintain an accurate debtor's ledger periodically reconciled.
- iii. In addition, it was noted that the subsequent customer orders and invoices were being executed yet the prior ones remained outstanding as at the close of the year.

Management did not provide a plausible explanation as to why earlier invoices did not form a first charge.

In the circumstances, the accuracy and completeness of the revenue of Kshs.1,651,398,990 could not be confirmed.

#### **7. Customer Rebates without Approval**

Records provided by Management revealed that five (5) customers who ordered and were supplied with 410.75 tonnes of sugar were granted rebates totaling to Kshs.304,813. However, approval documents for the rebates were not provided for verification contrary to Section (4.1.3) of the Work Instruction for Pre-Qualification of Sugar Customers which states that criteria used to pre-qualify sugar customers shall be stipulated that a customer shall be able to arrange own adequate transport to carry the consignment from the warehouse. No explanation has been provided for the non-compliance or failure to seek approval from the Management as required.

In the circumstances, the regularity of the rebates given to the customers could not be confirmed.

#### **8. Unsupported Grants Income**

The statement of profit or loss and other comprehensive income and Note 4 to the financial statements reflects grants income of Kshs.250,176,584 related to direct payments by Government of Kenya to the company's cane and other suppliers. However, the criteria and basis for identification of the farmers with arrears and suppliers' invoices to be paid were not provided for audit. Further, the Management did not provide the records of the farmers arrears and suppliers invoices which were paid by the government grants.

In the circumstances, the accuracy and completeness of the grant income of Kshs.250,176,584 could not be confirmed.

#### **9. Variance Between the Financial Statement and Payroll Records**

The statement of financial position reflects trade and other payables balance of Kshs.3,698,632,508 which, as disclosed in Note 17, but indicated as Note 19 on the face of the statement of financial position, includes other payables and accruals balance of Kshs.431,897,192. Review of the ledger provided in support of the payables revealed that the balance included net salaries payable of Kshs.66,989,888. However, payroll data provided for audit revealed payables balance of Kshs.639,993,770 resulting to unexplained and unreconciled variance of Kshs.573,003,882.

In the circumstances, the accuracy and completeness in respect of trade and other payables balance Kshs.3,698,632,508 could not be confirmed.

## **10. Material Uncertainty Related to Going Concern**

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.143,979,611. The Company's reported accumulated deficit stood at Kshs.2,925,299,357 as at 30 June, 2024 which was after GoK loans and taxes write off of Kshs.26,400,466,594 resulting in the accumulated loss decreasing from Kshs.29,181,786,339 to Kshs.2,925,299,357 as at year end. Further, the current liabilities of the Company of Kshs.3,868,552,106 exceeded the current assets of Kshs.825,834,003 by Kshs.3,042,718,103. The Company is therefore unable to meet its current liabilities as and when they fall due. However, this fact has not been disclosed in the notes to the financial statements as required under IAS 1:25 on presentation of financial statements. Further, Management has not demonstrated tangible measures being undertaken to reverse the negative trend which casts doubt on the Company's ability to continue as a going concern in the foreseeable future.

In the circumstances, these conditions alongside other matters on profitability are indicative of the Company's inability to continue as a going concern.

## **11. Omitted Property, Plant and Equipment**

The statement of financial position reflects property, plant, and equipment balance of Kshs.3,588,603,309 as disclosed in Note 9 to the financial statements. Included in this balance are motor vehicles and tractors with a Nil net book value. However, review of records provided for audit revealed that a Management procured a new 150HP Tractor with a 35 tons winch box ASSY during the year under review at a cost of Kshs.16,750,000. Failure to disclose the assets additions is contrary to IAS 16.7 which requires that items of property, plant and equipment to be recognized as assets when, it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably.

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

## **12. Fully Depreciated Assets**

The statement of financial position reflects property, plant and equipment value of Kshs.3,588,603,309 as disclosed in Note 9 to the financial statements. Review of the schedule to support balance revealed that motor vehicles with historical cost of Kshs.63,989,653 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.

### **13. Variance in Growing Produce**

The statement of financial position reflects growing produce balance of Kshs.434,978,188 as disclosed in Note 11 to the financial statements. The balance which relates to carrying amount of cane in the nucleus estate at the end of the year includes decrease due to harvesting of Kshs.116,886,514. However, review of the monthly cane harvest data from the agriculture department revealed that value of harvested cane during the year was Kshs.158,032,452 resulting to unreconciled and unexplained variance of Kshs.41,145,563. Further, the cane crop addition for year was reflected as Kshs.26,496,319 whereas the records indicated additions of Kshs.37,713,500 resulting to a variance of Kshs.11,217,182.

In the circumstances, the accuracy and completeness of growing produce balance of Kshs.434,978,188 could not be confirmed.

### **14. Unsupported Trade Receivables**

The statement of financial position and as disclosed in Note 13 to the financial statements, reflects trade and other receivables net balance of Kshs.481,705,793. However, the following unsatisfactory matters were noted:

- i. The Management did not provide for ledgers , detailed schedules and other requisite supporting documentary evidence to support the outstanding balances. Further, ageing analysis was not done to indicate how long the balance had been outstanding.
- ii. Management has made a provision for doubtful debts of Kshs.154,501,307. However, the provision was not supported with specific schedules or approved policy.
- iii. Management did not provide documentary evidence in form of correspondences with the customers indicating efforts made to recover the outstanding amounts from the debtors. This was contrary to State Corporations Act, 2012 Section 15(1) on accountability which states that a Board and/or those charged with governance shall be responsible for the proper management of the affairs of a state corporation.

In the circumstances, the accuracy and recoverability of the trade and other receivables balance of Kshs.481,705,793 could not be confirmed.

### **15. Management of Inventories**

The statement of financial position and as disclosed in Note 12 to the financial statements reflects inventories net balance of Kshs.342,932,186. However, the following unsatisfactory matters were observed;

- i. The inventories gross balance of Kshs.353,534,284 includes Kshs.290,968,136 in respect to plant and machinery spares. However, the ledger reflected a balance of Kshs.298,545,604 resulting to a variance of Ksh.7,577,468 which had not been explained.

- ii. The inventories balance of Kshs.342,932,186 is net of provision of obsolete inventories of Kshs.10,602,098 which the Management indicated were obsolete stock. However, details of the obsolete stock were not provided for audit review contrary IAS 2:36 which states that the financial statements shall disclose the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity.
- iii. Further, 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 accuracy and completeness of inventories balance of Kshs.342,932,186 could not be confirmed.

#### **16. Unsupported Cash and Bank Balances**

The statement of financial position reflects bank balance of Kshs.1,196,024. However, the bank reconciliation statement in support of NBK Account (0102007885400) balance of Kshs.23,867 was not provided for audit. Further, the certificate of bank balance in respect of Standard Chartered Bank (0102098543200), National Bank of Kenya and cash certificate in support of Kshs.56,055, Kshs.23,867 and Kshs.6,755 respectively were not provided for audit review.

In the circumstances, the accuracy and fair statement of the bank balance of Kshs.1,196,024 could be confirmed.

#### **17. Unsupported Transactions with Related Parties**

The statement of financial position reflects transactions with related parties balance of Kshs.169,919,698. However, the Management did not provide supporting documents such as invoices, agreements and ledgers to support the balances.

In the circumstances, the accuracy and completeness of the transactions with related parties balance of Kshs.169,919,698 could not be confirmed.

#### **18. Unsupported Trade payables**

The statement of financial position reflects trade and other payables balance of Kshs.3,698,632,508, as disclosed in Note 17 to the financial statements. However, the balance was not supported with detailed ledgers or schedules and an ageing analysis per category showing the opening balance, additions and payments in the year to arrive at the closing balance. In addition, the payables include Kshs.1,930,155,468 and Kshs.431,897,192 being trade payables and other payables and accruals respectively. However, the Management did not provide invoices, goods received notes and respective stock cards to support their existence. This was contrary to Section 6.6 of the Company's Financial Operating Procedures, 2014 which require the Accounts Payable Accountant

shall ensure all invoices received are matched with orders, goods received, delivery notes and timely preparation of payment vouchers for all due invoices.

In the circumstances the accuracy and completeness of trade payables could not be confirmed.

### **19. Non-Remittance of Statutory Deductions**

The statement of financial position reflects trade and other payables balance of Kshs.3,698,632,508 as disclosed in Note 17 to the financial statements. Included in the balance is payroll payables comprising of salary deductions totalling Kshs.839,252,890 which had not been remitted to the statutory entities. Failure to remit the deduction is contrary to Section 37(1) of the Income Tax Act, 2012 which provides that an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed. The payroll payables were also not supported by way of detailed listing of the staff from whom the deductions were made and the respective amounts. Further, details of the remittances indicate the payables were accrued during post receivership period while balances of pre-receivership statutory deductions were not provided for audit review.

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

### **20. Inadequate Procurement Controls**

Review of payment and procurement records provided revealed that, Management procured goods and services from various firms. However, the following anomalies were noted:

- i. The procurement records revealed that Management engaged firms for the supply of goods and services using only request for quotation during the year. This was contrary to Section 91 of the Public 183 procurement and Asset Disposal Act, 2015.
- ii. Procurement records revealed that tenders were entered into without signing any contract agreement contrary to Regulation 63 of Public Procurement and Asset Disposal Regulations, 2020.
- iii. Management did not provide standard technical evaluation criteria for audit review.
- iv. The head of procuring entity issued generic professional opinions without detailed recommendations on the reports of evaluation committees.
- v. The quotations opening committee minutes lacked tabulated details of the number of quotations received against the quoted amounts.
- vi. Management appointed the same members of the tender and ad hoc committee in the evaluation of the tender contrary to Section 78 (1) of the Public Procurement and Asset Disposal Act, 2015, which states that an accounting officer of a procuring entity shall appoint a tender opening committee specifically for the procurement and

at least one of the members shall not be directly involved in the processing or evaluation of the tenders.

- vii. Request for quotation documents could not be accessed in the Company's financial system.

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

## **21. Irregular Procurement of Tractor**

Review of procurement records revealed that Management entered into a contract for the supply of a New 150HP Tractor with 35 tons in December 2023. However, the following anomalies were noted:

- i. The contract cost of Kshs.16,750,000 through request for quotation was above the maximum threshold of Kshs.3,000,000.
- ii. Although the professional opinion indicates that restricted tendering was used from the pre-qualified suppliers, Management did not provide a list of prequalified suppliers for supply for motor vehicles in 2023/2024 financial year. The evaluation committee did not set out an evaluation criterion as the basis for evaluation. Further, notification letters of regrets were not sent to unsuccessful bidders' contrary to the requirement of Section 87(3) and 126(4) of Public Procurement and Asset Disposal Act, 2015.
- iii. The Management recommended and awarded the third highest bidder who quoted against the lowest bid of Kshs.15,518,059.
- iv. There was no evidence that due diligence was conducted on the winning bidder as required by Section 83(1) Public Procurement and Asset Disposal Act, 2015 and National Treasury Circular No.3 of 18 September, 2017.
- v. Further, motor vehicle inspection reports were not provided for audit review to confirm if technical specifications of the use department were met.

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

## **22. Failure to Conduct a Market Survey in Procurement of Fertilizer**

During the year under review the Management entered into contract with five (5) suppliers for supply and delivery of fertilizer amounting to Kshs.48,491,492. However, the Management did not conduct a market survey contrary to Regulation 90(1)(d)(ii) of the Public Procurement and Asset Disposal Regulations, 2020 which require that an accounting officer shall not enter into a contract under Section 104 of the Act unless it is satisfied that the offer is at the prevailing real market price.

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

### **23. Failure to Comply with Prescribed Procurement Thresholds**

Review of payment and procurement records provided for audit by the Management revealed that an amount of Kshs.68,441,593 was paid to various suppliers during the year under review in respect of supply of farm inputs and diesel under request for quotations. However, this was contrary to Section 105(a) of the Public Procurement and Asset Disposal Act, 2015 which requires a procuring entity to use a request for quotations from the register of suppliers for a procurement if the estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum value for using requests for quotations as prescribed in Regulations included in the Second Schedule of the Public Procurement and Asset Disposal Regulations, 2020 which prescribes a maximum of Kshs.3,000,000.

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

### **24. Irregular Procurement of Specialized Parts**

Review of payment records provided for audit revealed that the Company incurred USD.36,055 equivalent to Ksh.5,505,766, in the supply of various specialized parts for TA4 under various orders dated 29 November 2023. However, the parts were procured through direct procurement contrary to Section 103(2) of the Public Procurement and Asset Disposal Act, 2015. Further, Management used request for quotation instead of open tender to procure the parts whose costs were beyond the prescribed threshold of Kshs.3,000,000 for request for quotation. This was contrary to Regulation 26 of the Public Procurement and Asset Disposal Regulations, 2020.

Similarly, during the year under review, Management procured farm inputs, fuel and lubricants totalling to Kshs.59,154,284. However, procurement records indicate that the firms were single sourced and did not meet the conditions of direct procurement as set out in Section 103(2) Public Procurement and Asset Disposal Act, 2015. Further, the contract agreements were not provided for audit and therefore it was not possible to establish the initial contract sums and terms.

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

### **25. Lack of Approved Human Resource Policy**

During the year under review, the Company recruited twenty-three (23) casual employees. However, review of the human resource policy documents revealed that the Company had no approved Human Resource Policy Manual on recruitment of casuals as guided by the Office of the President Circular Ref. OP/CAB.9/1A dated 11 March, 2020. The Circular requires all State Corporations to file with SCAC their Human Resource Compliance Reports, including payroll reports for all cadres of staff and other stated Human Resource Instruments for approval by 31, July of each year. It was not clear how the casuals were engaged in the absence of the policy manual.

In the circumstances, Management was in breach of the Circular Ref. OP/CAB.9/1A dated 11 March, 2020.

## **26. Overpayment of Salaries**

Review of payroll records revealed that that two (2) officers in the positions of Agronomist and Planning Manager were paid an amount of Kshs.200,000 and Kshs.160,000 respectively which was above their level, instead of an amount of Kshs.62,450 per month thereby occasioning overpayments of salaries. No justification was provided for the overpayment of employee costs.

In the circumstances, regularity of the expenditure could not be confirmed.

## **27. Non-Compliance with a Third Rule**

Review of the payroll for the month of June, 2024 revealed that seven (7) employees earned salaries which were less than a third of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which states the total amount of all deductions may be made by an employer from the wages of his employee at any time shall not exceed two thirds of such wages or such additional or other amount as maybe prescribed by the Minister.

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

## **28. Staff Serving in Acting Capacity**

Review of the payroll and human resources records revealed the following;

- i. Eight-four (84) employees were serving in acting positions for more than 6 months and drawing acting allowances. Management attributed the failure to appoint the employees in substantive positions to the instructions issued by the Ministry of Agriculture, Livestock, Fisheries and Co-operatives through circular Ref: MOEALF&C/CS/ADM/30 dated 7 July, 2020, to the sugar millers that they should not hire any new employees or effect any new promotions or offer additional benefits other than what existing staff were then entitled to. However, this exceeded the statutory duration provided for in the Section C.14 (1) of Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that, when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post. Acting allowance will not be payable to an officer for more than six (6) months.
- ii. Forty-five (45) permanent staff were paid acting allowance in excess of the stipulated 20% of their basic salary contrary to Section C.14 (1) of Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that, when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary.

- iii. Sixty-nine (69) employees were serving in acting capacity without the requisite qualifications as per the job descriptions contrary to Section C.14(1) which requires legibility for officers to serve in acting capacity.

In the circumstances, Management was in breach of human resource policies and procedures.

### **29. Employees in Service Beyond the Retirement Age**

Review of the payroll records revealed that five (5) officers who had attained the mandatory retirement age of sixty (60) years were still on the payroll and active employees of the Company. This was contrary to gazette Notice Ref No.OP.CAB.2/7A of March, 2009 and Section D. 21 of Human Resource Policies and Procedures Manual for the Public Service, 2016. The policy stipulates that all officers shall retire from the service on attaining the mandatory retirement age of 60 years, or 65 years for persons with disabilities and/or as may be prescribed by the government from time to time. Management did not provide explanation for the anomaly.

In the circumstances, Management was in breach of human resource policies and procedures.

### **30. Staff Under Establishment**

Review of the human resource records indicated that the Company had an approved establishment of eight hundred and seventy-seven (877) staff members across all cadres. However, the actual number of staffs was six hundred and sixty-two (662) leading to an under establishment of two hundred and fifteen (215) staffs (or 25%) of the approved establishment. This is contrary to Section A.15 of the Human Resource Policies and Procedures Manual for Public Service, May 2016, which states that the functions of Ministerial Human Resource Management Advisory Committees (MHRMAC) entail making recommendations to the Authorized Officer regarding: - inter alia (viii) establishment and complement control.

In the circumstances, Management was in breach of the public service policies and procedures.

### **31. Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution**

Review of the June 2024 payroll revealed that the Company had a workforce of 662 out of which 497 or 75% were members of the dominant community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires public establishment to seek to represent the diversity of the people of Kenya in employment of staff.

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

### **32. Regularity of Imprest Management**

The statement of financial position reflects trade and other receivables balance of Kshs.481,705,793 as disclosed in Note 13 to the financial statements. Included in the trade and other receivables balance are staff receivables of Kshs.9,124,721. Review of the imprest records provided by Management revealed the following anomalies;

- i. The imprest records revealed that imprest amounting to Kshs.1,890,810 was not surrendered within seven (7) working days after officers returned to their duty station contrary to Regulation 93 of the Public Finance Management (County Governments) Regulations, 2015. No justification was provided for the failure to recover the above amounts from the affected staff salaries.
- ii. In addition, review of the prior year audited financial statements indicated that the outstanding imprests of Kshs.3,164,980 have been outstanding for more than one year, dating back to 2016. However, as at the time of audit in September, 2024, there was no evidence of subsequent surrender or recovery of outstanding imprest contrary to regulation 93(6) of Public Finance Management (County Government) Regulations, 2015.
- iii. Further, review of sampled imprest analysis revealed that fourteen (14) officers were paid multiple imprests amounting to Kshs.1,276,940. This was contrary to the Public Finance Management (County Governments) Regulations, 2015 Regulation 93 (2) (b) which prohibit issue of new imprests to officers with outstanding imprests.

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

### **33. Lack of Standard Costing**

The statement of profit or loss and other comprehensive income reflects cost of sales amount of Kshs.2,276,567,913, which includes cane purchases of Kshs.1,804,479,725 and factory and agricultural costs of Kshs.409,078,814 and Kshs.63,009,373 respectively. However, the following audit issues were noted:

- i. Management apportioned staff costs at 56% to factory costs, 14% to agricultural costs and 30% under administration costs. However, the standard costings and an approved policy on cost apportionment of its main product- sugar was not provided for audit review. It was therefore not possible to establish the unit cost that went into producing a kilogram of sugar and the basis of the apportioning staff costs to the departments.
- ii. Management indicated that they use process costing in calculating the cost of sales. However, the process was not supported by the actual activities as the direct labour costs in factory and agriculture department were being apportioned to administration costs contrary to the cost accounting principles under IAS 2 which states that costs of conversion of inventories include costs directly related to the units of production, such as direct labour.

- iii. Records provided by Management indicated that the Company milled 234,000 tonnes of cane during the year under review and produced 14,225 tonnes of sugar bagged, resulting to a rendement of 16 tonnes of cane to 1 tonne of the produced sugar. However, the ratio of 1:16 was below the Agriculture and Food Authority (AFA) recommended rendement (yield) of 1:10.

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

#### **34. Significant Assumptions Fair Value of Growing Produce**

As disclosed in Note 11 to the financial statements, the statement of financial position reflects growing produce of Kshs.434,978,188. Review of the significant assumptions made and disclosed indicated that the valuation of growing produce was based on a market price of Kshs.3,700 per tonne of sugar cane and that cane of six months and below is assumed to be immature cane. However, review of the supporting documentation and data used to compute the fair value figures revealed that the actual assumptions made at the value was based on a market price of Kshs.5,125 per tonne of cane. This resulted to overstatement of growing produce by Kshs.1,425 per tonne. No justifiable explanation was provided for the overstatement.

In the circumstances, the assumptions made in valuating growing produce could not be supported.

#### **35. Long Outstanding Salary Arrears**

Review of payroll records provided for audit revealed that the Company owed an amount of Kshs.639,993,770 in respect of salary arrears that have been outstanding since April, 2018. Management has not provided any details on how it intends to clear the balances owed to staff members which is contrary to Section 17(1) of the Employment Act, 2007 which states that subject to this Act, an employer shall pay the entire amount of the wages earned by or payable to an employee in respect of work done by the employee in pursuance of a contract of service directly.

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

#### **36. Weaknesses in Internal Audit Function**

During the year under review the internal audit function targeted twenty-one (21) audit areas. However, the function covered only one (1) out of the targeted areas; Imprest Management. Further, it was not clear if the report was presented to the Management for discussion and adoption and whether the recommendations were thereafter implemented. In addition, the Company had an internal audit function in place with only three (3) staff members. Review of the approved staff establishment revealed that internal audit department was supposed to be staffed with six (6) officers. This resulted to understaffing of three (3) officers contrary to Regulation 162 (2)(a) of the Public Finance Management (National Government) Regulations, 2015, which states that an Accounting

Officer shall ensure that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities.

In the circumstances, the existence of an effective review of the financial and non-financial performance management systems and internal controls could not be confirmed.

### **37. Failure to Maintain a Fixed Assets Register**

The financial statements reflect property, plant and equipment balance of Kshs.3,588,603,309 as disclosed in Note 9 to the financial statements. 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, the completeness and proper safeguard of the reported assets could not be confirmed. existence of effective internal controls on management of assets could not be confirmed.

### **38. 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.

### **39. Contingent Liabilities**

Review of Note 19 to the financial statements reflects contingent liabilities amounting to Kshs.179,094,038 which resulted from one hundred and two(102) claims from suppliers, sixteen (16)claims from employees and ten (10) claims from farmers. However, a breakdown of these liabilities indicating details of court cases were not provided for audit review contrary to IAS 37.14 which requires that a provision shall be recognized when a reliable estimate can be made of the amount of the obligations.

In the circumstances, the status, accuracy, and existence of the reported liability could not be confirmed.

### **40. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.3,755,950,446 and actual amounts realized of Kshs.2,357,001,502 resulting to an under-collection of Kshs.1,398,948,944 or 37% of the budget. The under-collection is attributed mainly due to less than anticipated cane supply and production. Further, the

Company reported operating expenses of Kshs.2,500,981,113 out of the approved budget of Kshs.3,706,327,747 resulting to deficit budget of Kshs.Kshs.1,205,346,634 or 32% of the final budget. Review of the statement revealed that the company incurred administration expenses of Kshs.224,413,200 against a final budget of Kshs.166,607,460 resulting to over expenditure of Kshs.57,805,740 or 35% 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 on 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, Management was in breach of the law.

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

### **Conclusion**

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

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

### **Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Conclusion**

As required by Companies Act, 2015 I report based on my audit that I did not obtain all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

### **Responsibilities of the Management and those Charged with Governance**

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.

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

### **Auditor-General's Responsibilities for the Audit**

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the

effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

31 December, 2024

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

	Note	2024 KSh	2023 KSh
REVENUE (APPENDIX I)		1,651,398,990	1,656,089,145
Fair value gain/ (loss) on growing produce	11	<u>271,139,813</u>	<u>-</u>
OPERATING INCOME		1,922,538,804	1,656,089,145
Cost of sales (Appendix I)		<u>(2,276,567,913)</u>	<u>(1,669,080,368)</u>
GROSS LOSS		(354,029,109)	(12,991,223)
Other operating income (Appendix II)		184,286,115	23,757,472
Grant income	4	250,176,584	-
Administrative expenses (Appendix III)		<u>(224,413,201)</u>	<u>(478,630,212)</u>
OPERATING LOSS BEFORE FINANCE COSTS		(143,979,611)	(467,863,963)
Net finance costs	5	<u>-</u>	<u>-</u>
LOSS BEFORE TAXATION	6	(143,979,611)	(467,863,963)
Taxation	8	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE YEAR		<u><u>(143,979,611)</u></u>	<u><u>(467,863,963)</u></u>

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

	Note	2024 KSh	2023 KSh
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	9	3,588,603,309	3,665,430,999
Growing produce	10	<u>434,978,188</u>	<u>254,228,570</u>
		<u>4,023,581,497</u>	<u>3,665,430,999</u>
<b>CURRENT ASSETS</b>			
Growing produce	11	-	-
Inventories	12	342,932,186	217,415,087
Trade and other receivables	13	481,705,793	390,492,491
Deferred farmers loans and debts	14	-	-
Cash and bank balances		<u>1,196,024</u>	<u>7,273,174</u>
		<u>825,834,003</u>	<u>869,409,322</u>
<b>TOTAL ASSETS</b>		<u><u>4,849,415,500</u></u>	<u><u>4,534,840,321</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	15	55,741,920	55,741,920
Revaluation Reserve		3,850,420,831	3,850,420,831
Accumulated loss		<u>(2,925,299,357)</u>	<u>(29,181,786,339)</u>
Shareholders' deficit		<u>980,863,394</u>	<u>(25,275,623,588)</u>
<b>NON - CURRENT LIABILITIES</b>			
Borrowings	16	<u>-</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>			
Borrowings	16	-	9,689,313,375
Trade and other payables	19	3,698,632,508	19,908,316,918
Due to related parties	18	<u>169,919,598</u>	<u>212,833,616</u>
		<u>3,868,552,106</u>	<u>29,810,463,910</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>4,849,415,500</u></u>	<u><u>4,534,840,321</u></u>

The financial statements on page 9 to 25 were approved by the Joint Receivers Managers on 24TH DECEMBER.....2024 and were signed by:



Joint Receiver Manager

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

	Note	Share capital KSh	Revaluation Reserve Kshs	Accumulated loss KSh	Total KSh
2023					
At 1 July 2022		55,741,920	3,850,420,831	(28,713,922,376)	(24,807,759,625)
Loss for the year		-	-	(467,863,963)	(467,863,963)
At 30 June 2023		<u>55,741,920</u>	<u>3,850,420,831</u>	<u>(29,181,786,339)</u>	<u>(25,275,623,588)</u>
2024					
At 1 July 2023		55,741,920	3,850,420,831	(29,181,786,339)	(25,275,623,588)
Loss for the year		-	-	(143,979,611)	(143,979,611)
Write off of taxes and loans				26,400,466,594	26,400,466,594
At 30 June 2023		<u>55,741,920</u>	<u>3,850,420,831</u>	<u>(2,925,299,357)</u>	<u>980,863,394</u>

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

	Note	2024 KSh	2023 KSh
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net cash generated from operating activities	18	<u>(16,536,480,751)</u>	<u>763,954</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in value of Biological Assets	9	<u>(180,749,618)</u>	<u>-</u>
Net cash used in investing activities		<u>(180,749,618)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans waiver	16	26,400,466,594	-
Borrowings repaid	16	<u>(9,689,313,375)</u>	<u>-</u>
Net cash from financing activities		<u>16,711,153,219</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS		(6,077,150)	763,954
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>7,273,175</u>	<u>6,509,220</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18	<u><u>1,196,024</u></u>	<u><u>7,273,175</u></u>

**MUHORONI SUGAR CO. LTD.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2024

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>	<b>% OF UTILIZATION</b>
Sales	3,719,333,446	1,651,398,990	- 2,067,934,456	44%
Other Income	36,617,000	705,602,512	668,985,512	1927%
<b>Total</b>	<b>3,755,950,446</b>	<b>2,357,001,502</b>	<b>- 1,398,948,944</b>	
<b>Operating Expenses</b>				
Cost of Sales	3,539,720,287	2,276,567,913	1,263,152,374	64%
Administrative Expenses	166,607,460	224,413,200	- 57,805,740	135%
<b>Total</b>	<b>3,706,327,747</b>	<b>2,500,981,113</b>	<b>1,205,346,634</b>	
Total Revenue	3,755,950,446	2,357,001,502	- 1,398,948,944	63%
Total Expenditure	3,706,327,747	2,500,981,113	- 1,205,346,634	67%
<b>Net Profit/Surplus</b>	<b>49,622,699</b>	<b>- 143,979,611</b>	<b>- 193,602,310</b>	

**Explanation of major variance**

Sales were below budget due to less than anticipated cane supply and production. The same explanation relates to cost of sales since the raw material cane is the major component.

Other Income exceeded the budgeted figure as a result of settlement of farmers arrears Kshs. 250,176,584/- recognized as grant income.

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

1 ACCOUNTING POLICIES

**Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards.

**Adoption of new and revised International Financial Reporting Standards**

The company did not early-adopt new or amended standards or interpretations in 2024.

**Basis of preparation**

The financial statements are prepared on the historical cost basis of accounting as modified to include the revaluation of certain assets.

**Revenue recognition**

Sales of sugar and molasses are recognised upon delivery or collection of the products by customers and are stated net of taxes, levies and discounts.

Government grant income is recognised when there is reasonable assurance that the company will comply with any conditions attached to the grant and the grant will be received.

All other income earned by the company is recognised on the accrual basis.

**Taxation**

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

Deferred income tax 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. Currently enacted tax rates are used to determine deferred income tax.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line method to write off the cost of the assets to their estimated residual values over their estimated useful lives. The annual rates in use are:

Freehold land	Nil
Roads and drainage (developments on land)	2.00%
Buildings	2.00%
Factory, plant and machinery	5.00%
Motor vehicles	25.00%
Tractors and trailers	20.00%
Agricultural equipment	20.00%
Office machines, furniture, fittings and equipment	7.50%
Computer and household equipment	33½%

1 ACCOUNTING POLICIES(Continued)

**Inventories**

Finished sugar and molasses inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in the manufacturing process and an allocation of normal production overheads attributable to the process. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Sugar in process is converted to units of finished sugar at the estimated cane conversion rate for the year.

Sugarcane in yard is stated at cost.

Spare parts, fertilizers, chemicals and other consumable stores are stated at cost. Cost is calculated on the weighted average basis and includes the direct purchase cost, insurance, freight and other incidental costs.

**Growing produce**

Growing produce assets (cane plantations) are stated at fair values less estimated point-of-sale costs.

The fair value of growing cane is determined based on the present value of expected net cash flows. The fair value of harvested cane is determined based on the prices of cane existing in the market less point-of-sale costs.

Immature growing cane is valued at cost.

**Financial instruments**

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. The company has the following key financial instruments:

*Trade and other receivables*

Trade and other receivables are carried at their anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Impairment losses are recognised in the income statement after all efforts of recovery have been exhausted.

*Term deposits*

Term deposits are stated at amortised cost.

*Trade payables*

Trade payables are stated at their nominal value.

*Investments*

Unquoted investments are stated at cost less provision for impairment where, in the opinion of the Joint Receivers Managers, there is a permanent diminution in value. Such diminution is charged to the income statement in the year in which it is identified.

*Borrowings*

Interest bearing loans are recorded at the proceeds received, net of direct costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

1 ACCOUNTING POLICIES (Continued)

**Financial instruments (continued)**

*Deferred farmers loans and debts*

Deferred farmers' loans and debts relate to advances and loans to cane growers for cane development and are carried at the anticipated realisable value. Impairment losses are recognised in the income statement whenever the carrying amount of the loans exceeds the recoverable amount.

**Impairment**

At each statement of financial position date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

**Cash and cash equivalents**

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from the date of the advance.

**Employee entitlements**

*Provision for staff leave pay*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated monetary liability for annual leave as a result of services rendered by employees as at the balance sheet date.

**Retirement benefits obligations**

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme for which the company's obligation is limited to a specified contribution per employee per month. Currently, the contribution is limited to a maximum of KSh 200 per employee per month. The company's contributions are charged to the income statement in the year to which they relate.

**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

In the application of the company's accounting policies, which are described in note 1, the Joint Receiver Managers are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgment and key sources of estimation uncertainty in applying the company's accounting policies are dealt with below:

### *Growing produce*

In determining the fair value of growing produce, management uses estimates based on historical data relating to yields and prices of sugar. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce potential differences between estimates and actual experience. The significant assumptions used are set out in note 12.

### *Impairment losses*

This involves determination of whether assets are impaired and requires an estimation of the value of the assets.

### *Property, plant and equipment*

Critical estimates are made by the Joint Receiver Managers in determining the useful lives for property, plant and equipment.

### *Contingent liabilities*

The company is exposed to various contingent liabilities in the normal course of business. The Joint Receiver Managers evaluate the status of these exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the Joint Receiver Managers' evaluation, a present obligation has been established.

## 3 GOING CONCERN

At 30 June 2024, the Company had a shareholders' deficit of KSh 1,547,270,062 (2023 - KSh 29,181,778,339). The financial statements have, however, been prepared on the going concern basis. This basis may not be appropriate considering that the company is under receivership. The validity of this assumption depends on the success of the various strategic measures the Joint Receiver Managers and the government have put in place to return the company to profitability as well as the company continuing to receive adequate financial support from the debenture holders and other providers of finance to enable it to pay its liabilities as they fall due for the foreseeable future. Should the company be unable to continue trading, adjustments will be required to restate the assets to their realisable values, to reclassify non current assets and long term liabilities to current liabilities and to provide for any further losses and liabilities that may arise.

As stated in the report of the Joint Receiver Managers, the government has, from May 2009, instituted the process of privatization. The Joint Receiver Managers are, therefore, confident that this will return the company to profitability and consequently, the financial statements have been prepared on a going concern basis.

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

	2024 KSh	2023 KSh
4 GRANT INCOME		
Government of Kenya non-reimbursable grant income	<u>250,176,180</u>	<u>-</u>

The grant represents direct payments by Government of Kenya to the company's cane and other suppliers.

5 NET FINANCE COSTS

Interest accrued on borrowings	<u>-</u>	<u>-</u>
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6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

Staff costs (note 7)	349,851,641	473,625,343
Depreciation of property, plant and equipment	77,004,131	77,000,602
Joint receiver managers fees and expenses	1,977,695	4,039,610
Auditors' remuneration – current year	-	7,083,600

7 STAFF COST

Salaries and wages	347,697,463	362,465,277
Other staff costs	198,788	214,220
NSSF contributions	-	-
Medical expenses	<u>1,955,389</u>	<u>2,143,555</u>
	<u>349,851,641</u>	<u>364,823,052</u>

The average number of employees for the company during the year was 750 (2022: 821)

8 TAXATION

Tax charge	<u>-</u>	<u>-</u>
No tax liability has arisen due to losses made by the company.		

Deferred tax	<u>-</u>	<u>-</u>
No deferred tax has been recognised due to accumulated tax losses (Note 11).		

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

9 PROPERTY, PLANT AND EQUIPMENT	Nil	2.00%	2.00%	5.00%	20.00%	25.00%	7.50%	
Year ended 30 June 2024	Freehold	Land	Buildings	Factory	Heavy	Motor	Other	Total
	land	Development		Plant and	Mobile	Vehicles	Equipment	
	KSh	KSh	KSh	Machinery	Machinery	KSh	and Fixtures	KSh
				KSh	KSh		KSh	KSh
<b>COST</b>								
AT 1 JULY 2022	1,845,650,000	10,410,217	982,748,970	1,128,716,912	-	63,989,653	9,354,301	4,040,870,053
Additions		176,441						176,441
At 30 JUNE 2023	<u>1,845,650,000</u>	<u>10,586,658</u>	<u>982,748,970</u>	<u>1,128,716,912</u>	<u>-</u>	<u>63,989,653</u>	<u>9,354,301</u>	<u>4,041,046,493</u>
<b>DEPRECIATION</b>								
AT 1 JULY 2023	-	5,176,659	78,619,914	224,948,109	-	63,989,653	2,704,719	375,439,054
Charge for the period	-	211,733	19,654,979	56,435,846	-	-	701,573	77,004,131
At 30 JUNE 2024	<u>-</u>	<u>5,388,392</u>	<u>98,274,894</u>	<u>281,383,954</u>	<u>-</u>	<u>63,989,653</u>	<u>3,406,291</u>	<u>452,443,184</u>
<b>NET BOOK VALUE</b>								
At 30 JUNE 2024	<u>1,845,650,000</u>	<u>5,198,265</u>	<u>884,474,076</u>	<u>847,332,958</u>	<u>-</u>	<u>-</u>	<u>5,948,010</u>	<u>3,588,603,309</u>
Year ended 30 June 2023								
	Freehold	Land	Buildings	Factory	Heavy	Motor	Other	Total
	land	Development		Plant and	Mobile	Vehicles	Equipment	
	KSh	KSh	KSh	Machinery	Machinery	KSh	and Fixtures	KSh
				KSh	KSh		KSh	KSh
<b>COST</b>								
AT 1 JULY 2023	1,845,650,000	10,410,217	982,748,970	1,128,716,912	-	63,989,653	9,354,301	4,040,870,053
Additions								-
At 30 JUNE 2023	<u>1,845,650,000</u>	<u>10,410,217</u>	<u>982,748,970</u>	<u>1,128,716,912</u>	<u>-</u>	<u>63,989,653</u>	<u>9,354,301</u>	<u>4,040,870,053</u>
<b>DEPRECIATION</b>								
AT 1 JULY 2022	-	4,968,455	58,964,935	168,512,263	-	63,989,653	2,003,146	298,438,452
Charge for the period	-	208,204	19,654,979	56,435,846	-	-	701,573	77,000,602
At 30 JUNE 2023	<u>-</u>	<u>5,176,659</u>	<u>78,619,914</u>	<u>224,948,109</u>	<u>-</u>	<u>63,989,653</u>	<u>2,704,719</u>	<u>375,439,054</u>
<b>NET BOOK VALUE</b>								
At 30 JUNE 2023	<u>1,845,650,000</u>	<u>5,233,558</u>	<u>904,129,056</u>	<u>903,768,803</u>	<u>-</u>	<u>-</u>	<u>6,649,582</u>	<u>3,665,430,999</u>

The assets of the company have been pledged as security for various loan facilities advanced to the company. The Kenya Sugar Board also has a floating charge over all the assets of the company for various loans granted to the company over the years (note 17).

The cost of land is for 6,038 acres initial held by the Company. 1,375 acres were transferred to various individuals in the 1980s and 1990s and no adjustments have been made in the Company's books to reflect the disposal.

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

	2023 KSh	2023 KSh
10 INVESTMENT		
Unquoted equity investment at cost	583,180	583,180
Less provision for impairment	<u>(583,180)</u>	<u>(583,180)</u>
	-	-

The unquoted equity investment relates to an investment of 29,159 shares in Kenya Grain Growers Co-operative Union Limited (now Kenya Farmers Association) at KSh 20 per share.

11 GROWING PRODUCE

Standing cane crop:		
At the beginning of the year	254,228,570	200,667,118
Additions for the year at cost	<u>26,496,319</u>	<u>76,112,757</u>
	280,724,889	276,779,875
Decrease due to harvesting	<u>(116,886,514)</u>	<u>(22,551,305)</u>
	<u>163,838,375</u>	<u>254,228,570</u>
(Loss)/gain in fair value attributed to price change	132,309,603	-
(Loss)/gain in fair value attributed to physical change	138,830,210	-
Fair value (loss)/gain during the year	<u>271,139,813</u>	<u>-</u>
Carrying amount at end of the year	<u>434,978,188</u>	<u>254,228,570</u>
Net (loss)/gain on growing produce assets		
Standing cane crop	<u>-</u>	<u>-</u>

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

- The valuation is based on cane price of KSh 3,700 (2019 - KSh 3,800 ) per ton.
- 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 KSh	2023 KSh
12 INVENTORIES		
Plant and machinery spares	290,968,136	218,378,752
Diesel stock	493,424	579,020
Petrol stock	<u>(2,050,167)</u>	<u>(2,083,787)</u>
Sugar and molasses	7,424,792	9,533,256
Good in transit	55,088,156	
Cane in yard	<u>1,609,944</u>	<u>1,609,944</u>
	353,534,284	228,017,185
Less: Provision for obsolete inventories	<u>(10,602,098)</u>	<u>(10,602,098)</u>
	<u>342,932,186</u>	<u>217,415,087</u>

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

	2024	2023
	KSh	KSh
<b>13 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	201,721,556	75,588,688
Other receivables	423,521,110	483,762,385
Deposits and prepayments	1,839,713	1,839,713
Staff receivables	<u>9,124,721</u>	<u>(16,196,987)</u>
	636,207,100	544,993,798
Less: provision for doubtful debts	<u>(154,501,307)</u>	<u>(154,501,307)</u>
	<u><u>481,705,793</u></u>	<u><u>390,492,491</u></u>

**14 DEFERRED FARMERS LOANS AND DEBTS**

Total loans and debts receivable	872,344,647	872,344,647
Less provision for doubtful debts	<u>(872,344,647)</u>	<u>(872,344,647)</u>
	-	-

The deferred loans and debts comprise advances and loans to cane growers for cane development and are to be recovered from cane proceeds.

	2023	2023
	KSh	KSh
<b>15 SHARE CAPITAL</b>		
Authorised, issued and fully paid:		
2,787,096 ordinary shares of KSh 20 each	<u>55,741,920</u>	<u>55,741,920</u>

**16 BORROWINGS**

	Principal borrowings KSh	Interest accrued KSh	Write-offs KSh	Total borrowings KSh
<b>Loans issued by the Government of Kenya:</b>				
a) Ministry of Finance-Treasury loans	2,442,598,412	1,519,627,527	(3,962,225,939)	-
b) Ministry of Agriculture	<u>44,342,000</u>	<u>60,858,774</u>	<u>(105,200,774)</u>	-
	<u>2,486,940,412</u>	<u>1,580,486,301</u>	<u>(4,067,426,713)</u>	-
<b>Government of Kenya guaranteed loans :</b>				
c) World Bank	151,049,893	288,788,514	(439,838,407)	(0)
d) Stork Sugar of Netherlands loans	302,528,309	575,091,337	(877,619,646)	0
e) Paris Club Rescheduled arrears	<u>450,607,059</u>	<u>387,623,029</u>	<u>(838,230,089)</u>	(0)
	<u>904,185,261</u>	<u>1,251,502,880</u>	<u>(2,155,688,142)</u>	(1)
<b>Total Government of Kenya loans</b>	<u>3,391,125,673</u>	<u>2,831,989,181</u>	<u>(6,223,114,854)</u>	0
<b>Loans from Kenya Sugar Board</b>				
f) Various	<u>2,584,819,282</u>	<u>857,905,306</u>	<u>(3,442,724,588)</u>	0
<b>Total borrowings</b>	<u>5,975,944,955</u>	<u>3,689,894,487</u>	<u>(9,665,839,442)</u>	1
Adjustment to loans to balance with Loan statements				
Due for settlement within 1 year			<u>(9,665,839,442)</u>	1

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

BORROWINGS (Continued...)

- a) Ministry of Finance-Treasury loans totalling KSh 2,442,598,412 are not secured and were advanced to the Company at various dates as follows:
- Factory expansion loans of KSh 19,100,235 were disbursed in 1973 at 6% interest rate p.a. The loans were to be repaid over a period of 30 semi-annual instalments with the first instalment falling due on 1 July 1975.
  - Cane development loan of KSh 5,000,000 was disbursed in 1993 at 12% p.a. interest rate, repayable in 20 equal semi-annual instalments commencing 31 December 1992.
  - Farmers loan amounting to KSh 35,800,000 had no specified terms and conditions. However, it was agreed that the loan be adopted at 12% interest rate p.a. and be fully repaid by 31 March 2005.
  - National Bank of Kenya loan amounting to KSh 2,382,698,177 relates to various overdrafts facilities advanced to the company over the years to meet working capital requirements paid off by the government in 1999 and 2007. The total amount is overdue.
- b) Ministry of Agriculture loans totalling KSh 44,342,000 are not secured and were advanced at various dates and were to be used for cane development and factory rehabilitation as follows:
- Cane development loan of KSh 10,000,000 was advanced in 1977 to be repaid in 20 equal semi-annual instalments at 10.5% interest rate p.a. The first instalment was falling due on June 1983.
  - Factory rehabilitation and modernisation loan of KSh 28,742,000 was advanced in 1988, and was to be repaid in 10 equal annual instalments, with the first instalment falling due on June 1991. The loan was at 11% interest p.a.
  - The other cane development loan of KSh 5,600,000 was advanced in 1991 at 11% interest rate p.a., repayable in 20 equal semi-annual instalments. The first instalment was due in January 1991.
- c) The World Bank loan was for sugar rehabilitation under the supervision of the Government of Kenya. The loan was advanced in 1984 at 10.51% and was repayable in 30 equal semi-annual instalments of KSh 5,034,996.43 commencing 15 July 1984 and was to be completed in July 1999. The loan was guaranteed by the Government of Kenya.
- d) The Stork Sugar of Netherlands loan was for factory renovation and modernisation. The loan was US\$ 19,200,000 designated as KSh 302,528,310. It was advanced to the company in 1975 to be repaid at 10.5% interest rate, over a period of eight years. The loan was guaranteed by the Government of Kenya.
- e) Paris Club Rescheduled Arrears of US\$ 5,839,910 arose out of rescheduling of the various loan arrears in 1993 at the Paris Club. The loan was designated in US\$ and has been revalued to KSh 450,607,060. The loan is subject to interest at 7% p.a. and is repayable in 14 equal semi-annual instalments of US\$ 417,136 from 15 June 1994 to 15 December 2000. The loan was guaranteed by the Government of Kenya.
- f) The loans from Kenya Sugar Board (KSB) under the Sugar Development Fund (SDF) related to payments made by the Board in respect of cane development, purchase of agricultural equipment, factory rehabilitation and the payment of farmers' arrears. The loans were disbursed between the periods 1992 and 2017. The loans are secured by floating charges over all company assets and the interest rates range from 3% to 6% per annum

MOVEMENT IN BORROWINGS	2024 KSh	2023 KSh
At beginning of the year	9,689,313,375	9,689,313,375
Accrued interest	-	-
Exchange differences	-	-
Loans advanced	-	-
Loans Written off	(9,689,313,375)	-
At end of the year	<u>0</u>	<u>9,689,313,375</u>

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

	2024	2023
	KSh	KSh
17 TRADE AND OTHER PAYABLES		
Trade payables	1,930,155,468	1,188,690,503
Taxes, penalties and fines	100,727,426	16,715,674,187
Other payables and accruals	431,897,192	736,081,907
Statutory payables	850,899,569	852,009,447
Gratuity provision	376,356,977	380,444,440
Leave pay provision	8,595,876	35,416,434
	<u>3,698,632,508</u>	<u>19,908,316,918</u>

2023  
KSh

2023  
KSh

18 NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of loss before taxation to cash generated from operations		
Loss before taxation	(143,979,611)	(467,863,963)
Depreciation	76,827,690	77,000,602
Finance costs on long term loans (note 4)	-	-
Loss before working capital changes	<u>(67,151,922)</u>	<u>(390,863,362)</u>
Working capital changes:		
Decrease in inventories	(125,517,099)	(37,401,572)
(Increase)/decrease in trade and other receivables	(91,213,302)	92,098,343
Decrease in growing produce	-	(53,561,452)
Increase in deferred farmers loans and debts	-	-
(Decrease)/increase in trade and other payables	(16,209,684,410)	375,504,125
Movement in related party balances	<u>(42,914,018)</u>	<u>14,987,871</u>
Cash generated from operations	<u>(16,536,480,751)</u>	<u>763,954</u>
b) Analysis of cash and cash equivalents		
Cash and bank balances	<u>1,196,024</u>	<u>7,273,174</u>
The overdraft is a book balance.		

**Notes/Disclosure to Cash & Bank balances**

Bank name	Account Number	Balance	Status	Nature
Kenya commercial bank	1104058286	1,086,965.00	Active	current account
Standard chartered	0102098543200	56,055.00	Active	current account
Kenya commercial bank	1168094887	22,382.00	Dormant	current account
National bank of kenya	0102007885400	23,867.35	Dormant	current account
Cash General	N/a	6,755.00	Active	current account
		<b>1,196,024.35</b>		

19 CONTINGENT LIABILITIES

The company faces several court cases currently in court, mainly from suppliers, employees, farmers .

1. The claims from 102 suppliers totalling to Kshs. 52,779,720.43 currently in court
2. The claims from 16 employees totallint to Ksh s125,742,159 currently in court
3. The claims from 10 farmers totalling to Kshs 572,159 currently in court
4. A land claim by Koguta Clan LR No 3977 and 3978 , currently in court

20 CAPITAL COMMITMENT

The company had no capital commitments as at 30 June 2023.

21 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.

21 FINANCIAL RISK MANAGEMENT (Continued...)

(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 2023.

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 customers pay in advance 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 financial liabilities.

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.

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

22 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.

23 INCORPORATION AND ULTIMATE HOLDING ENTITY

The company is incorporated and domiciled in The Republic of Kenya under the Companies Act. It is a subsidiary of Agricultural Development Corporation, which is wholly owned by the Government of The Republic of Kenya. Agricultural Development Corporation is also incorporated and domiciled in The Republic of Kenya under the Agricultural Development Corporation Act and the State Corporations Act.

24 CURRENCY

These financial statement are prepared in Kenya Shillings(KSh).

25 PRIOR YEAR ADJUSTMENTS

The prior year adjustments relates to accrued interest on loan balances owed to or guaranteed by the Government of Kenya which had been suspended in 2009 following confirmation of the company's debt by Treasury in December 2012. The National Treasury has however issued a confirmation as at 30 June 2020 indicating interest accrued to that date. Interest for the period 2010 to 2019 has been recognised during the year necessitating restatement of prior year financial statements. The effect of the restatement on those financial statements is summarised below.

	Effect on year ended 30 June 2019 KSh
Effect on opening balances for the year ended 30 June 2019	
Increase in interest expense	3,022,998,063
Increase in exchange differences	<u>139,515,846</u>
	<u>3,162,513,909</u>
Increase in borrowings	<u>3,162,513,909</u>
Decrease in equity	<u>(3,162,513,909)</u>
Adjustments for 2019	
Increase in interest expense	335,888,674
Increase in exchange differences	<u>7,289,960</u>
	<u>343,178,633</u>
Total effect on 2019	
Total increase in borrowings	<u>3,505,692,542</u>
Total decrease in equity	<u>(3,505,692,542)</u>

MUHORONI SUGAR COMPANY LIMITED (IN RECEIPT)  
 DETAILED INCOME STATEMENT  
 FOR THE YEAR ENDED 30 JUNE 2024

NOTE

	2024 KSh	2023 KSh
<b>25 REVENUE</b>		
Sugar sales	1,508,145,250	1,510,725,656
Molasses sales	143,253,740	145,363,489
Bagasse sales	-	-
Total sales	<u>1,651,398,990</u>	<u>1,656,089,145</u>
<b>26 COST OF SALES</b>		
Cane purchases	(1,804,479,725)	(1,139,899,072)
Factory costs	(409,078,814)	(452,946,427)
Agricultural costs	(63,009,373)	(76,234,869)
Inventory movement	-	-
	<u>(2,276,567,913)</u>	<u>(1,669,080,368)</u>
<b>GROSS LOSS</b>	(625,168,922)	(12,991,223)
Other operating income	26,584,752,709	23,757,472
Grant income	250,176,584	-
Administrative expenses	(224,413,201)	(478,630,212)
Finance costs	-	-
<b>LOSS BEFORE TAXATION</b>	<u>25,985,347,169</u>	<u>(467,863,963)</u>
Reconciliation of results based on actual cost of biological assets and agricultural produce was necessary so as to result at fair valuation of biological assets and agricultural produce:		
	2023 KSh	2023 KSh
<b>LOSS BEFORE TAXATION AS ABOVE</b>	25,985,347,169	(467,863,963)
Fair value adjustment	<u>271,139,813</u>	-
<b>LOSS BEFORE TAXATION AS PER INCOME STATEMENT</b>	<u>26,256,486,983</u>	<u>(467,863,963)</u>

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)  
 DETAILED INCOME STATEMENT  
 FOR THE YEAR ENDED 30 JUNE 2024

	2024	2023
	KSh	KSh
<b>26 CANE PURCHASES</b>		
Registered out growers cane	1,398,445,830	975,778,344.00
Nucleus estate cane	406,033,895	164,120,728
	<u>1,804,479,725</u>	<u>1,139,899,072</u>
<b>FACTORY COSTS</b>		
Staff costs	205,997,760	233,911,309
Other factory costs	38,693,409	42,153,149
Depreciation of factory plant and buildings	56,435,846	56,435,846
Hire of equipments	6,854,050	-
Plant spares and maintenance	47,075,810	62,889,802
Electricity and water costs	35,747,461	30,092,284
Fuels and lubricants	13,283,089	6,979,038
Packaging materials	12,029,602	20,485,000
	<u>416,117,027</u>	<u>452,946,427</u>
<b>AGRICULTURAL COSTS</b>		
Staff costs	51,499,440	58,477,827
Other agricultural costs	11,298,200	17,548,837
Depreciation of agricultural equipment	211,733	208,204
	<u>63,009,373</u>	<u>76,234,869</u>
<b>OTHER OPERATING INCOME</b>		
Other miscellaneous income	-	20,708,888
Land development and preparation	-	-
Cane transport	7,321,000	(4,973,288)
Medical charges	103,920	-
Milling cane	-	730,073
Sale of scrap metal	2,466,710	5,159,900
Interest on outgrowers	8,743,717	2,131,900
Gain on Biological assets	138,830,210	-
Hire of tractors and lorries	-	-
Leave provision decrease	26,820,558	-
	<u>184,286,115</u>	<u>23,757,472</u>

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)  
 DETAILED INCOME STATEMENT  
 FOR THE YEAR ENDED 30 JUNE 2024

NOTE	2024	2023
27 ADMINISTRATIVE EXPENSES	KSh	KSh
Staff costs	110,355,943	125,309,630
Other costs	60,569,334	260,023,731
Joint Receivers Managers fees and expenses	1,977,695	3,728,800
Insurance	3,586,920	2,652,239
Interest and penalties on tax		-
Depreciation	20,356,552	20,356,552
Security	22,399,369	17,324,717
Gratuity provision		39,681,249
Leave pay provision movement		-
Bank charges	246,210	19,651
Provision for interest and penalties on overdue taxes		
Audit costs	3,845,250	3,500,000
Telephone and faxes	214,223	54,000
Legal and professional fees	861,705	5,979,643
	<u>224,413,201</u>	<u>478,630,212</u>
 INTEREST AND PENALTIES ON OVERDUE TAXES		
 Provision for interest and penalties on overdue taxes	<u>-</u>	<u>-</u>

