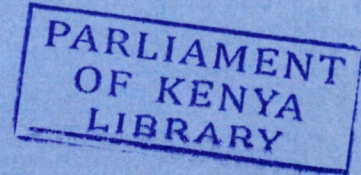


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NZOIA SUGAR COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE 2017

**THE NATIONAL ASSEMBLY
PAPERS LAID**

DATE: 14 NOV 2018

DAY: Wednesday

TABLED BY: Leader of Majority Party
(Hon. Aiden Diale MP)

CLERK-AT THE TABLE: R. Karim - PCA



OFFICE OF THE AUDITOR-GENERAL
P. O. Box 2105, 50000 DRC/GOMA

10 JUL 2018

RECEIVED

NZOIA SUGAR COMPANY LIMITED

**ANNUAL REPORTS AND
FINANCIAL STATEMENTS**

30 JUNE 2017

100

NZOIA SUGAR COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

CONTENTS	PAGES
Corporate information	2
Report of the directors	3 - 4
Chairman's statement	5
Managing director's report	6 - 9
Corporate governance statement	10
Social responsibility report	11
Statement of directors' responsibilities	12
Independent auditors' report	13 - 16
Financial statements:	
Statement of profit or loss and other comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21 - 54

卷之三



NZOIA SUGAR COMPANY LIMITED

CORPORATE INFORMATION

DIRECTORS

Hon. Joash Wamangoli - Chairman
Michael Kulundu - Ag. Managing Director
Timothy Tiampati - IDB Capital
Frederic Thrum - Fives Cail
Cabinet Secretary - Treasury
Cabinet Secretary - Agriculture
Kennedy Simiyu Juma
Rebecca Mulongo
Mary Nawire Waiswa
Dr. John Murumba Chikati
Hon. Raphael Wanjala

COMPANY SECRETARY

Benson Khwatenge
Certified Public Secretary (Kenya)
P O Box 285 - 00100
Bungoma

REGISTERED OFFICE

Nzoia Sugar Company Limited
Off Webuye – Malaba Road
5 kms from Bukembe Junction
P O Box 285 - 00100
Bungoma

PRINCIPAL AUDITORS

The Auditor General
P O Box 30084 - 00100
Nairobi

DELEGATED AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki way, Muthangari
P O Box 40092 – 00100
Nairobi

BANKERS

National Bank of Kenya Limited
Bungoma Branch
P O Box 25 – 50200
Bungoma

The Co-operative Bank of Kenya Limited
Bungoma Branch
P O Box 1964 – 50200
Bungoma

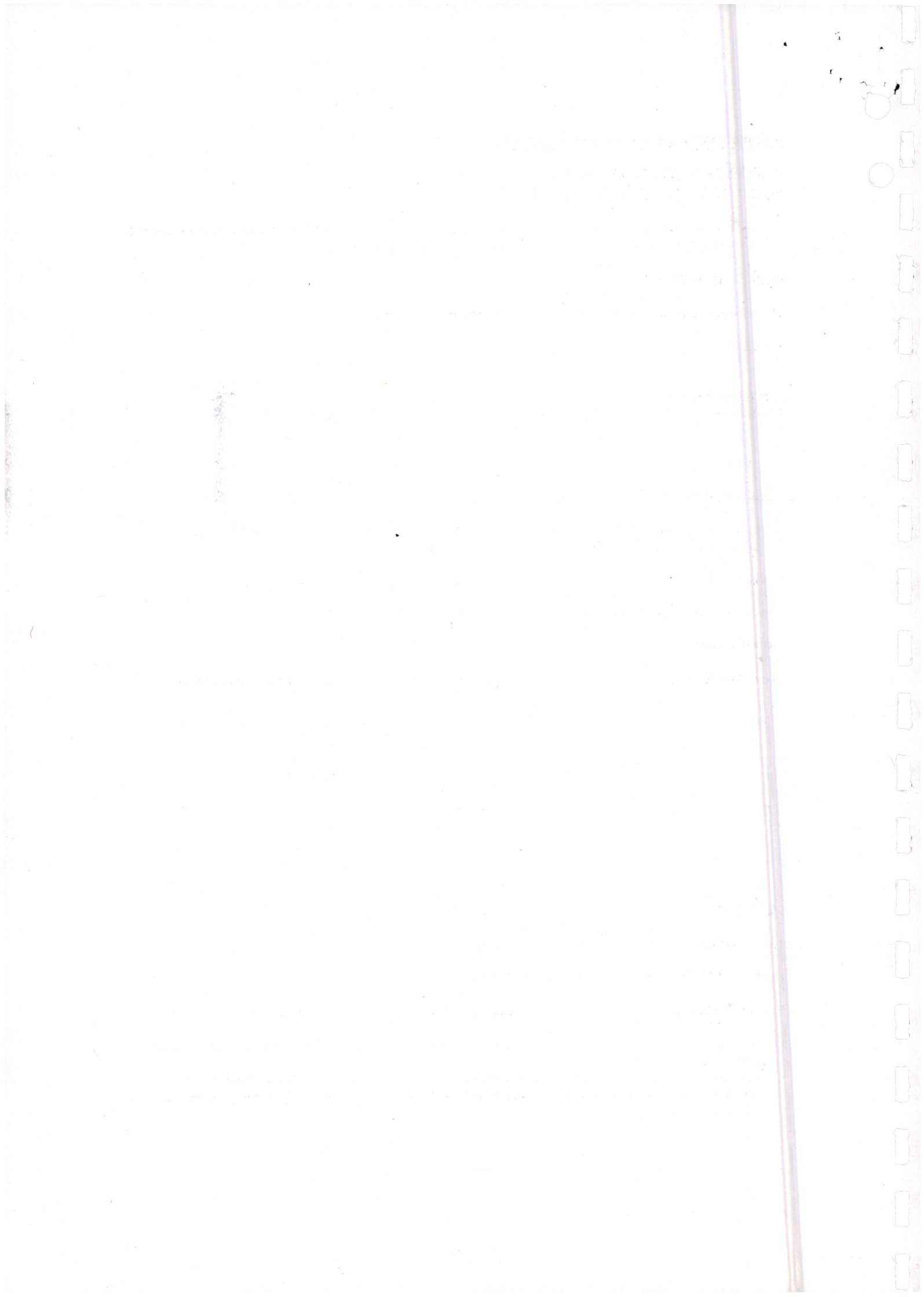
Kenya Commercial Bank Limited
Bungoma Branch
P O Box 380 – 50200
Bungoma

ADVOCATES

Olotch & Company Advocates
P O Box 7146 – 00100
Nairobi

Wekesa & Simiyu Advocates
P O Box 10299 – 00100
Nairobi

Buluma & Company Advocates
P O Box 6152 – 30100
Eldoret



NZOIA SUGAR COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2017

The directors present their report together with the audited financial statements of Nzoia Sugar Company Limited (the "Company") for the year ended 30 June 2017, which shows its state of affairs.

PRINCIPAL ACTIVITIES

The principal activities of the company are the production and sale of sugar.

RESULTS

	Shs'000
Loss before taxation	(2,781,820)
Taxation charge	(138,248)
Loss for the year	(2,920,068)
	=====

BUSINESS REVIEW

A review of the business of the Company is incorporated within the Chairman's statement and Managing Directors's report on pages 4 to 9.

DIVIDENDS

The directors do not recommend a dividend in respect of the year (2016 – Nil).

PRODUCTION

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

	Sugar bagged (Tonnes)	Cane milled (Tonnes)	Outturn
2017	46,724	580,868	12.45
2016	59,218	706,173	11.9
2015	86,821	924,721	10.7
2014	49,648	596,186	12.0
2013	55,535	680,364	12.3
2012	64,669	690,998	10.7
2011	61,886	652,170	10.5
	=====	=====	

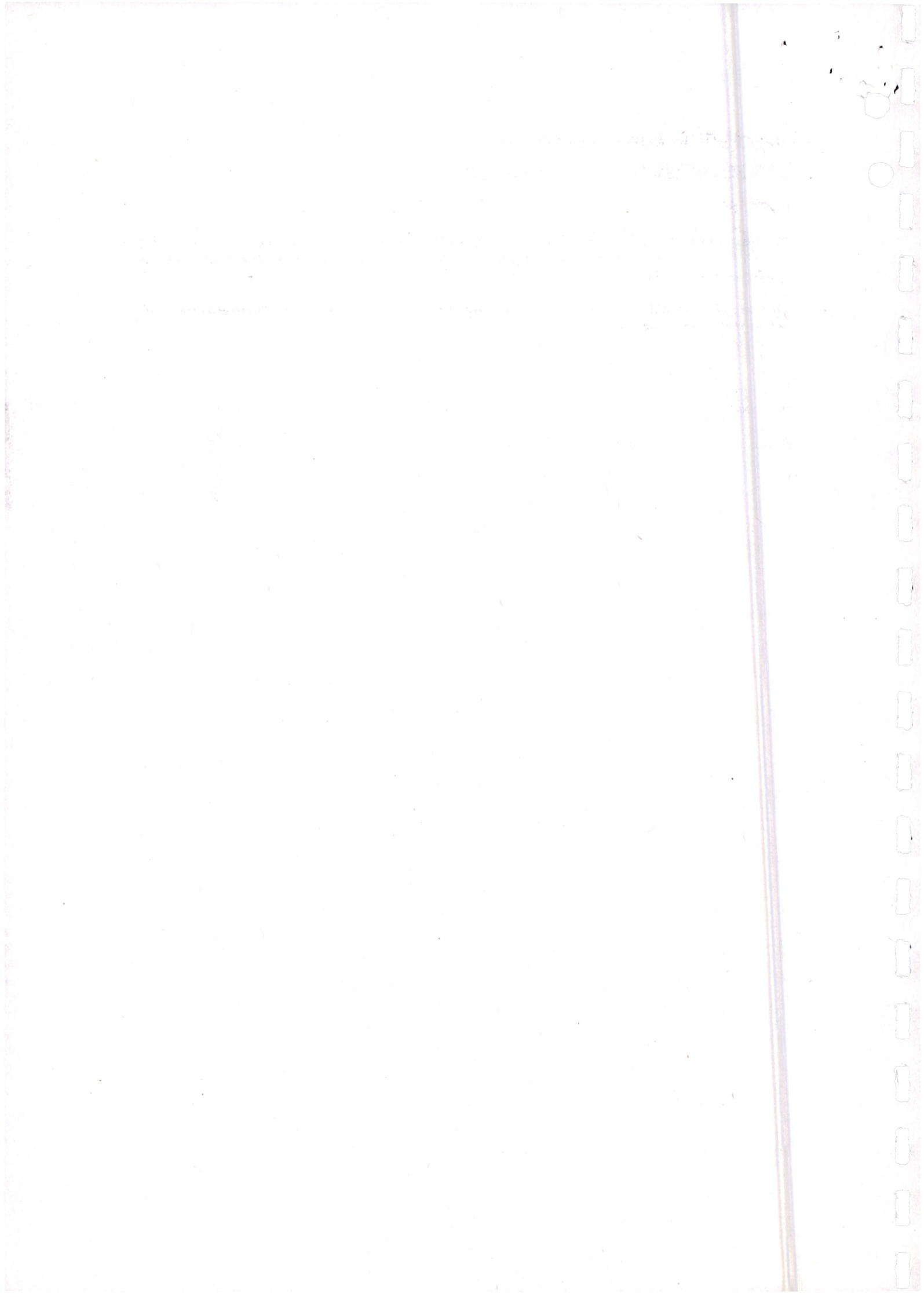
DIRECTORS

The current directors of the company are listed on page 2.

DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



NZOIA SUGAR COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

AUDITORS

The Auditor General is responsible for the statutory audit of the company's books of account in accordance with Section 23 of the Public Audit Act, 2015 which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

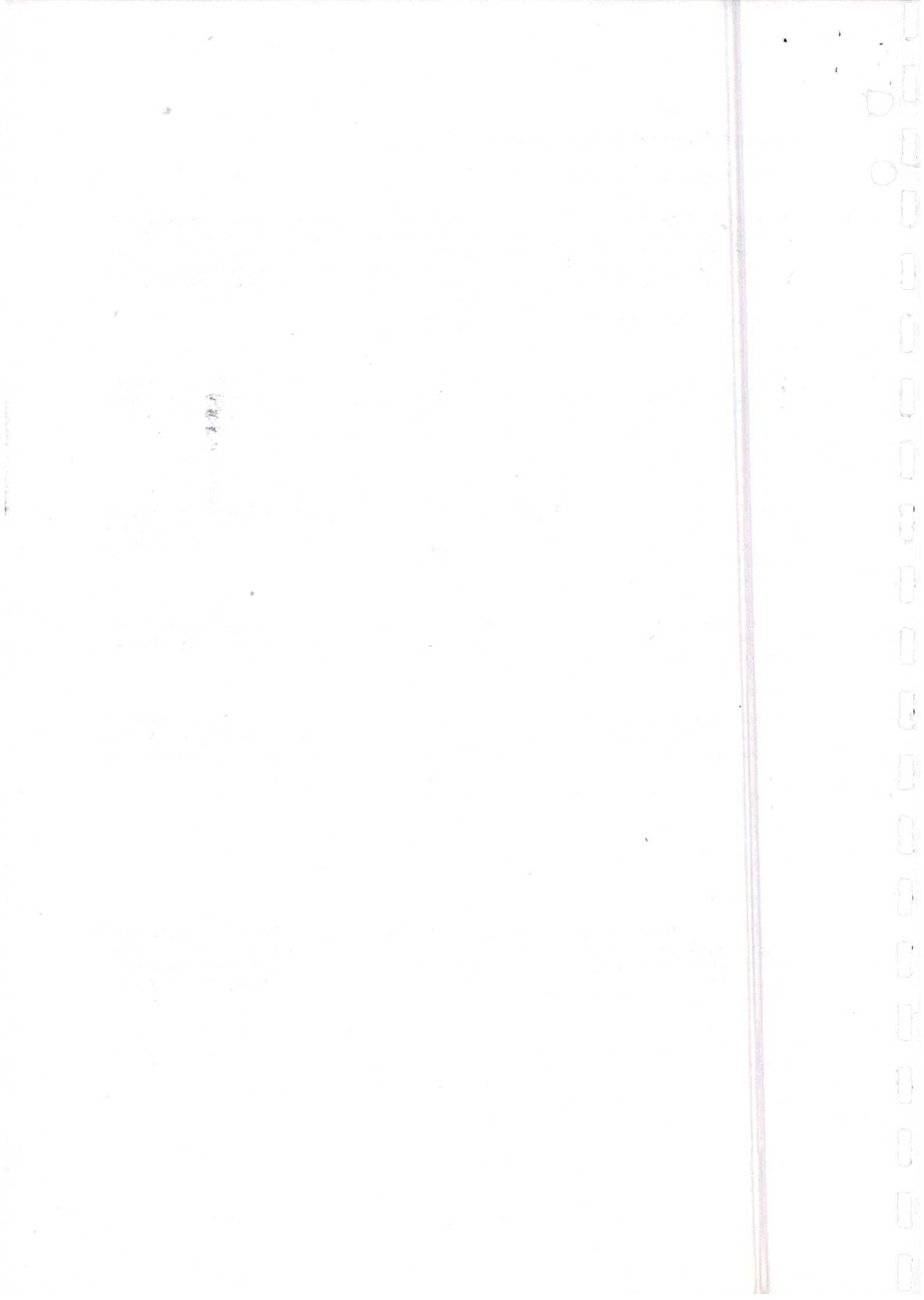
Deloitte & Touche, who were nominated by the Auditor General, carried out the audit of the financial statements for the year ended 30 June 2017.



Secretary

Bungoma

2018



NZOIA SUGAR COMPANY LIMITED

CHAIRMAN'S STATEMENT

On behalf of the board of directors and management of the company allow me to present to you the annual report on the business and operations of the company and financial results for the year ended 30 June 2017. The performance of the company has continued to be impacted negatively by the two key industry challenges namely; cheap illegal imports and low sugar prices. Consequently, a negative result has been recorded once again. However, the Board and Management have put in place measures and continue to implement strategies aimed at reversing this trend.

Sugar Market Outlook

BRAZIL.

Brazil's production is forecast to rise 2.4 million tons to 37.1 million on favourable weather and a lower percentage of sugarcane being converted to ethanol (forecast at 57 percent compared to 59 percent the year before). Brazil remains the largest producer and exporter of sugar with exports projected up 1.8 million tons to 26.1 million on steady higher demand and greater exportable supplies. Consumption is down slightly on lower consumer purchases of processed foods.

INDIA

India's consumption is forecast to rise marginally to record 27.2 million tons. Production is forecast to drop 2.2 million to 25.5 million tons due to lower area and yield. Drought conditions encouraged farmers to keep existing cane production rather than planting new cane. With higher consumption and lower production, stocks are expected to be down 18%.

THAILAND

Thailand's production is forecast to increase 360,000 tons to 10.1 million as an uptick in area offsets lower yields affected by drought. Higher demand is driving exports up 2 percent to a record 9.0 million tons while stocks are drawn down. Consumption continues to trend higher on growing household and industrial uses.

CHINA

China's consumption, projected at a record 17.8 million tons continues to trend higher bringing stocks down to 3.2 million. Production is forecast to decline to 8.2 million tons on lower area. Over the last couple of years, higher land and labour costs and the cancellation of minimum purchase prices in some areas have resulted in growers switching to other crops.

Source: <https://apps.fas.usda.gov/psdonline/circulars/sugar.pdf>

Dividends

Due to poor performance in year under review the Directors do not recommend the payment of dividends.

Future Outlook

The company looks forward to better performance based on changes being made. The board has operationalised short term measures and is currently pursuing a number of medium term and long term strategic measures to restore the company's solvency and return it to profitability. The board is making every effort to address issue of quality cane supply, improving cane yields and enhancing production volumes. Market positioning, diversification and efficiency will be key drivers in coming years as other opportunities are being explored.

The board will continually review the various business strategies in place to ensure sustained business profitability and growth. The board thanks the various stakeholders for the business support and hope they will support the company especially in the impending diversification and privatization.

中華民國二十九年



NZOIA SUGAR COMPANY LIMITED

MANAGING DIRECTOR'S REPORT

On behalf of the board of directors and management of the company allow me to present to you the annual report on the business and operations of the company and financial results for the year ended 30 June 2017. The performance of the company has continued to be impacted negatively by the three key industry challenges namely; lack of mature cane for milling, cane poaching and dry weather condition experienced late 2016 and early 2017. Consequently, a negative result has been recorded once again. However, the Board and Management have put in place measures and continue to implement strategies aimed at reversing this trend.

SUGAR MARKET OUTLOOK

2017/18 Sugar Overview

Brazil's production is forecast to rise 500,000 tons to a record 39.7 million on favourable weather and a 1% increase in sugarcane being diverted towards sugar production instead of ethanol. Exports are projected up 500,000 tons to a record 28.7 million on greater exportable supplies. Stocks are forecast up slightly while consumption is relatively unchanged.

China's production is forecast to rise 1.0 million tons to 10.5million, due to an expected boost in area while high stocks limit greater expansion. After reaching 10.4 million tons 3years ago, ending stocks continue to be drawn down. This drawdown in stocks, together with larger production and flat consumption, will lower imports. There is, however, a great deal of uncertainty in the market because of a safeguard investigation into sugar imports being conducted by China's Ministry of Commerce. This investigation was initiated in late September 2016 with the results scheduled to be announced May 22, 2017. As China is a huge sugar importer, the results of this investigation, and any possible resulting changes in import policy, could have a major impact not just on imports, but also on prices, production, and stock policies in China. Note: Estimates for China's ending stocks and consumption between MY 2013/14 to 2016/17 have been revised, resulting in a significantly higher stock estimates.

India's production is forecast to rebound by 18 percent to 25.8 million tons due to higher area and yields. Imports are forecast lower while consumption is forecast to edge higher to 26.0million tons.

Thailand's production is forecast to expand 1.2 million tons to 11.2 million as yields are expected to improve with the recovery from 2 years of drought. Exports are forecast to rise 400,000 tons to 8.4 million on increased available supplies while consumption is up slightly on growing household and industrial uses.

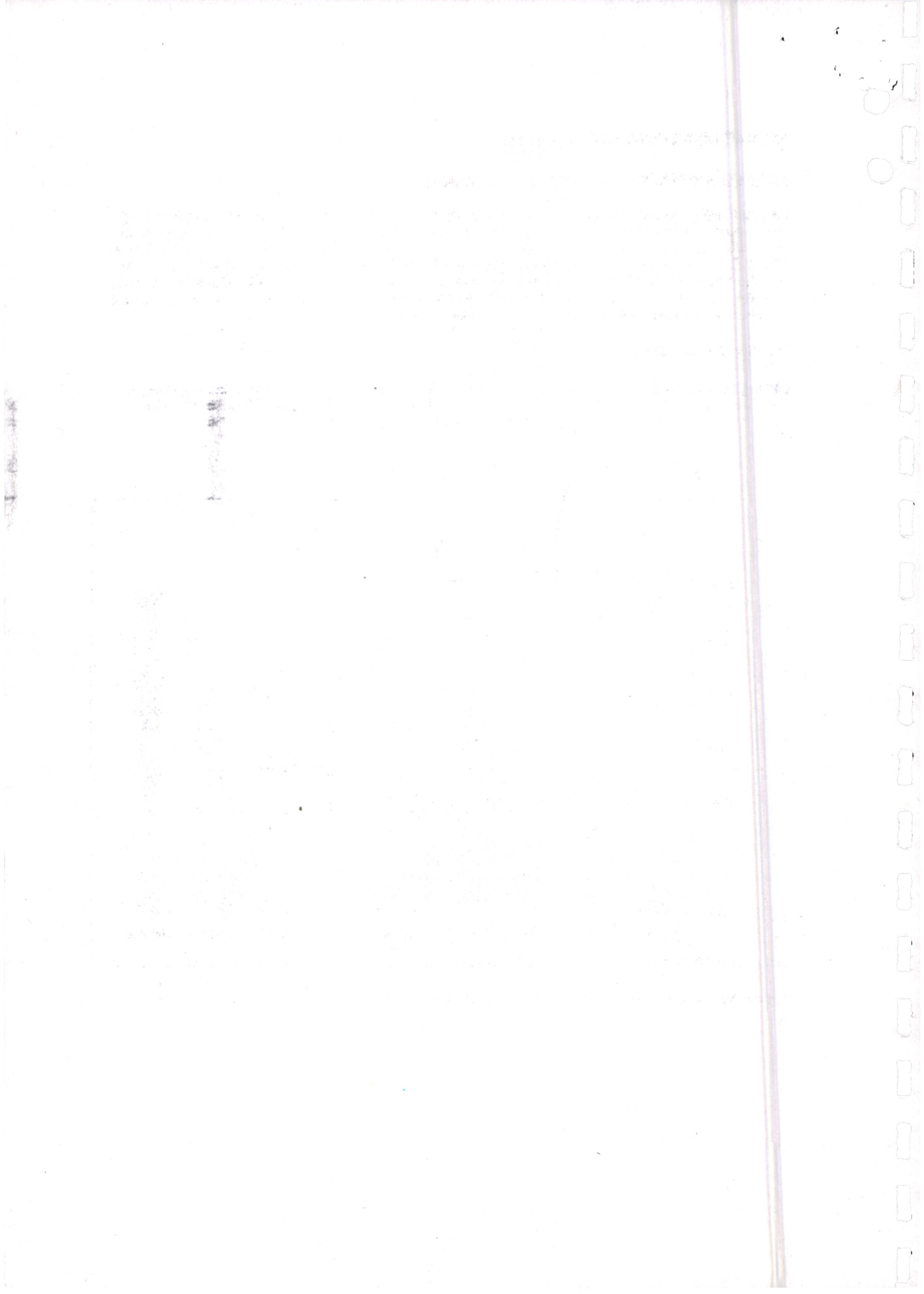
Dividends

Due to poor performance in year under review the Directors do not recommend the payment of dividends.

Future Outlook

The board has continued to implement short term measures and is currently pursuing a number of medium term and long term strategic measures to restore the company's solvency and return it to profitability. The board is making every effort to address issue of lack of mature cane, cane poaching and improving factory efficiencies.

The board will continually review the various business strategies in place to ensure sustained business profitability and growth. The board thanks the various stakeholders especially the Government of Kenya for the business support and hope they will support the company especially in the impending diversification and privatization.



NZOIA SUGAR COMPANY LIMITED

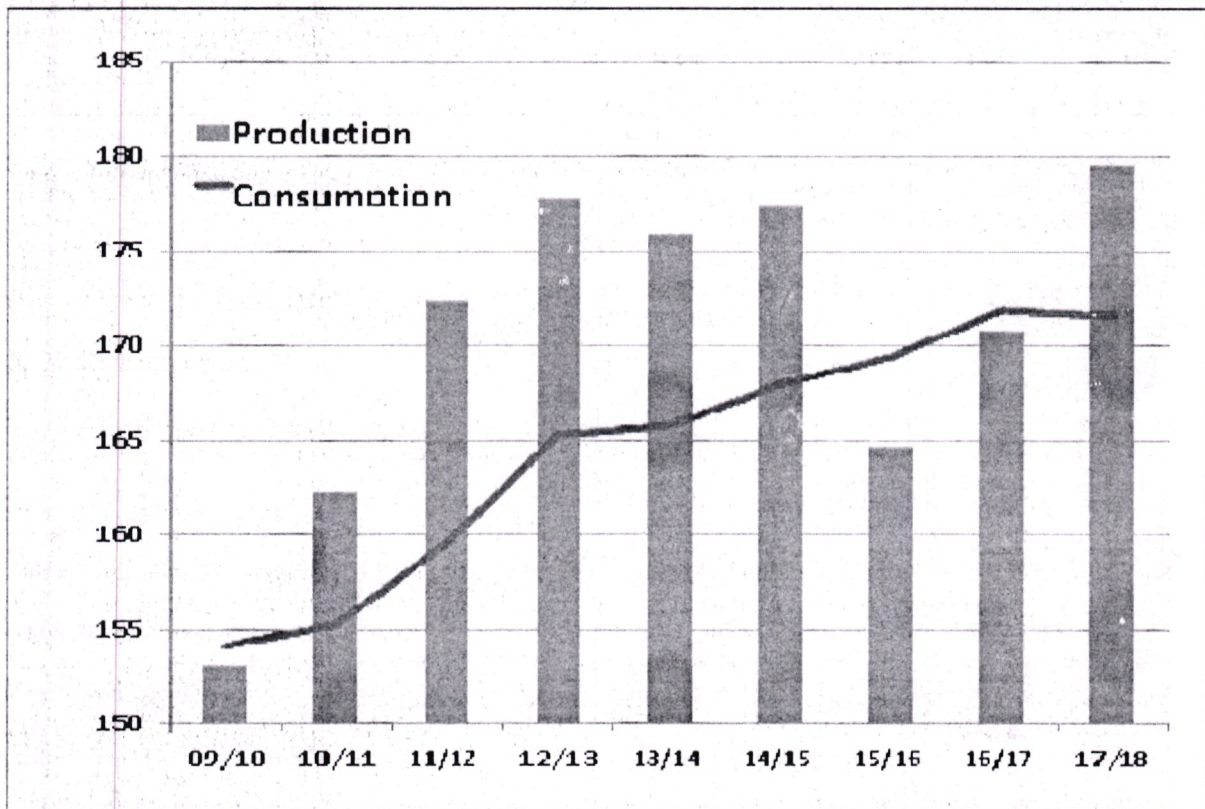
MANAGING DIRECTOR'S REPORT (Continued)

On behalf of management I present to you the management report on the business and operations of the Company and financial results for the year ended 30 June, 2017. The year under review was challenging given that the factory has been operating below capacity due to lack of raw material for milling. However, prices of sugar improved from KSh 66,320 per ton net of taxes last financial year to KSh 87,614 per ton net of taxes in year under review. The TC/TS in the year was 12.45. Turnover volumes reduced from 62,646 tons last financial year to 47,377 tons. However, management has put in place measures to correct the situation and is hopeful of improved cane production and improved factory efficiencies after the OOC scheduled.

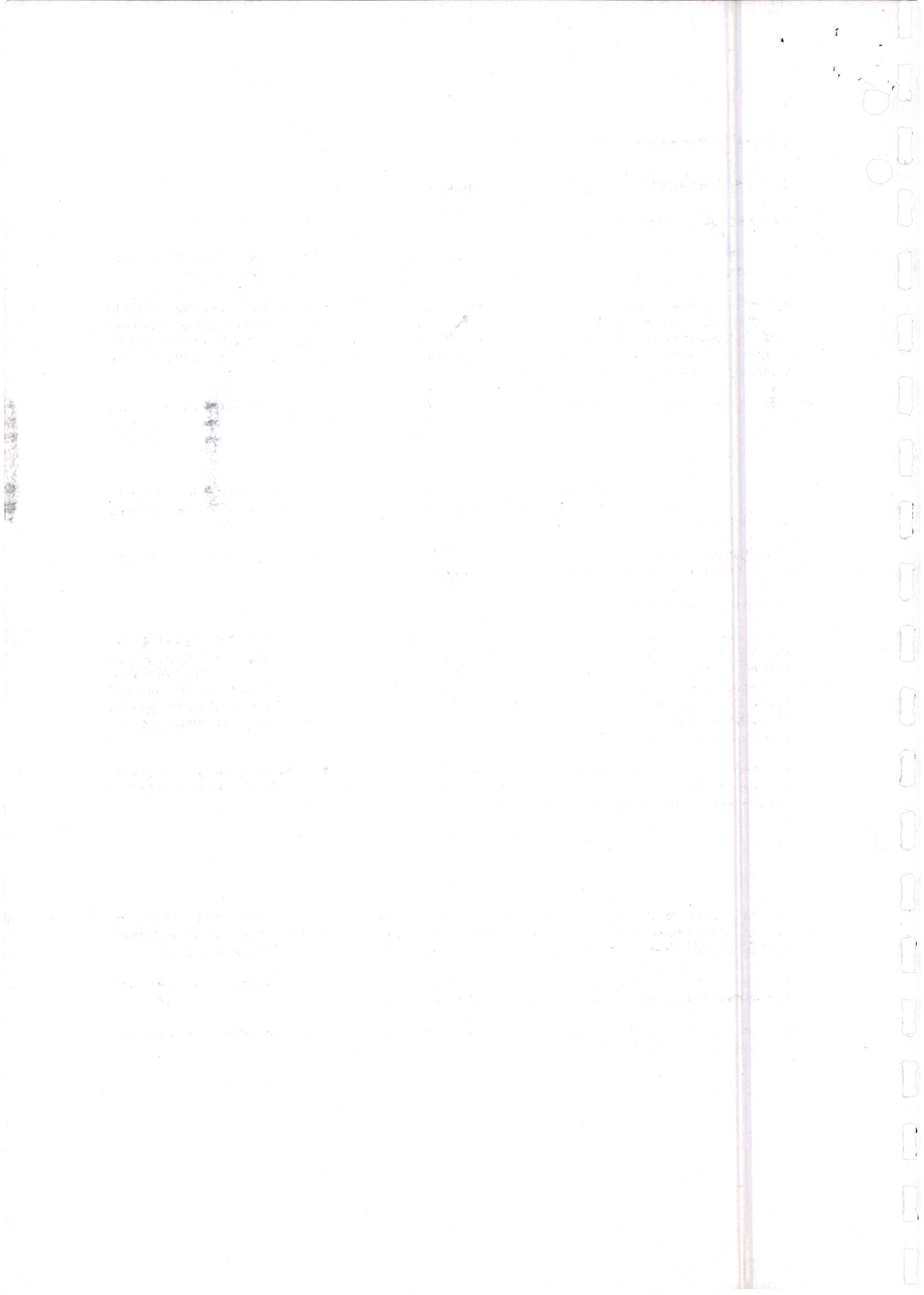
WORLD SUGAR MARKETS

Global production for 2017/18 is up 9 million tons (raw value) to a record 180 million on gains in Brazil, China, the European Union, India, and Thailand. Despite record production, stocks are down 2 percent to 38million tons as lower stocks in China and Mexico more than offset higher stocks in Pakistan.

Table: Global Vs Consumption



Source: International Sugar Organization Quarterly Market Report



NZOIA SUGAR COMPANY LIMITED

MANAGING DIRECTOR'S REPORT (Continued)

LOCAL SUGAR MARKET

According to Sugar Directorate, 501,505 MT was produced in year 2016/2017 (639,741 MT -2015/2016) against consumption of 978,746 MT (916,871 MT in year 2015/2016). The deficit was met through sugar imports.

In the year under review, the Sugar industry reported a decrease of 26.9% in sugar production attributed mainly to cane shortages due to prolonged drought, dwindling area under cane and delayed payment. West Kenya, Butali and Transmara Sugar Companies were the leading producers in the year under review, accounting for 48% of total production. Meanwhile, Mumias Sugar Company Ltd production was dismal at a mere 3,023MT, attributed to the prevailing cane shortage in the zone.

Currently area under cane is approximately 221,316 Ha with average yields at 66TCH for the industry. Sugar directorate through the pricing committee has set the price of cane currently at KSh 4,200 per tonne of cane. Total sugar sales in 2016/2017 were 506,505 tonnes compared to 639,741 tonnes sold in the same period in 2016, a decrease of 26.3%.

Closing stocks of sugar held by the factories at the end of June 2017 were 3,939 tonnes compared to 8,944 in the same period last year. Low stock is ascribed to reduced sugar production during the year against the increasing domestic demand.

Overall, in the year 2016/2017, Ex-factory sugar prices averaged KSh 5,474 per 50-kg bag compared to an average of KSh 4,609 per bag in the same period 2016, an 18.8% increment.

ECONOMIC OUTLOOK

GDP growth is expected to suffer somewhat this year due to the interest cap introduced late last year and the dire situation in the agricultural sector. In addition, political uncertainty around the August presidential election could dampen business sentiment and delay investment decisions. GDP is expected to slow down to 5.2% in 2017 from earlier forecast of 5.5% in March 2017, before picking up slightly to 5.6% growth in 2018. A slowdown in credit uptake also slowed economic growth during the period under review. The Central Bank of Kenya (CBK) data shows that lending to the private sector expanded by a paltry 3.3 per cent in the year to March 2017, the lowest growth rate since January 2005.

Inflation eased to 9.2% compared to 10.28% in previous quarter. This was mainly driven by a slight drop in food prices. Agriculture sector shrunk 1.1 per cent to Sh286.3 billion — the first in eight years. Rains in May and a KSh 6 billion maize subsidies helped ease food prices in June 2017.

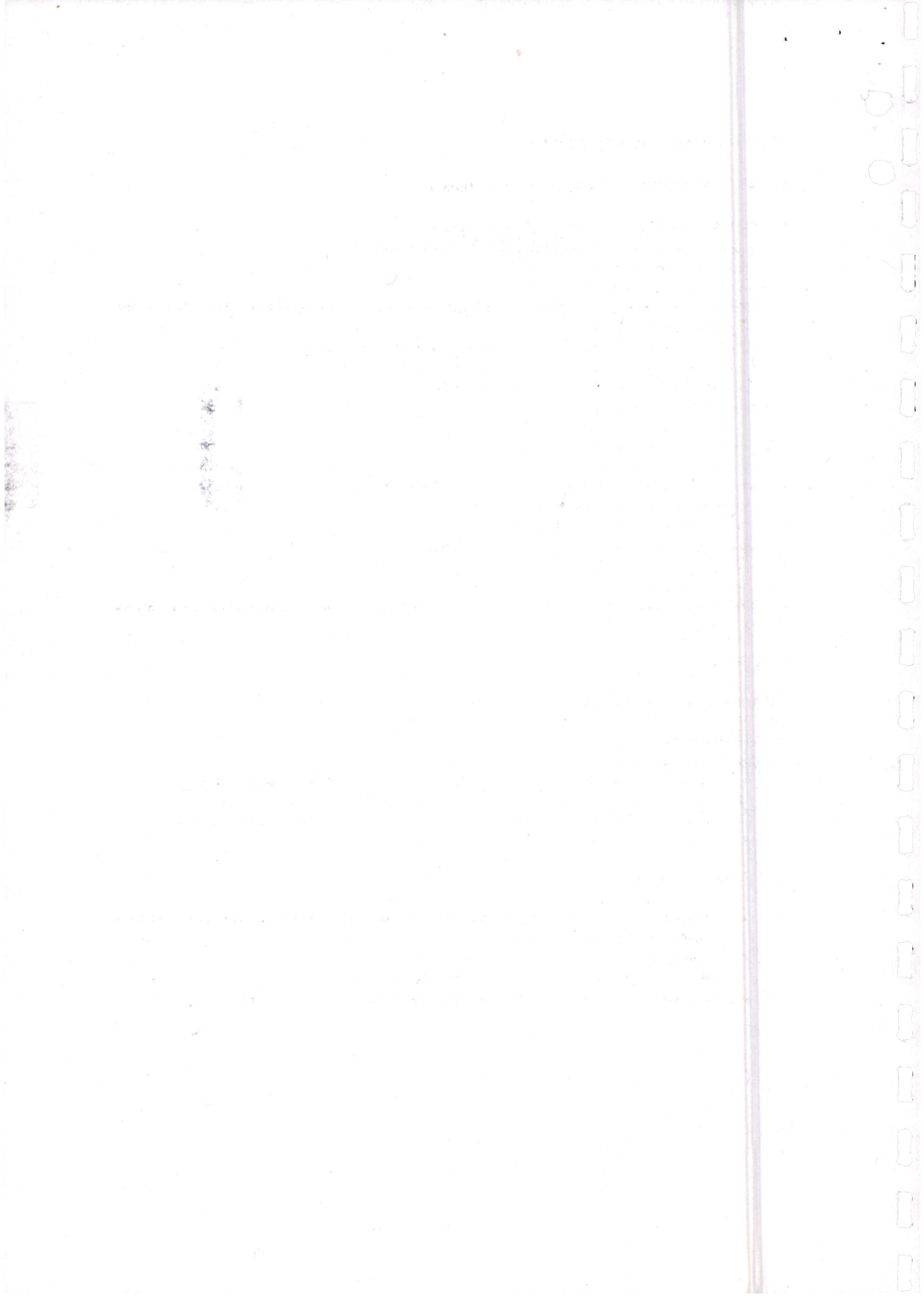
Source: <http://www.focus-economics.com/countries/kenya>

FINANCIAL PERFORMANCE

Total turnover for the period under review was KSh 4.3 billion (2016- 4.2 billion) against a budget of 5.5 billion net of taxes. The sales were below target due to low production caused by lack of raw materials. Harsh climatic conditions in the 3rd and 4th quarters coupled with cane poaching reversed the gains made in previous quarters.

Prices of sugar significantly improved in the year under review due to shortage of sugar both in local and international markets. Prices of sugar averaged KSh 87,614 per ton net of taxes.

The company made a loss before tax and interest of KSh 2.8 billion (2016 – loss of 2.5 billion) against budgeted earnings before tax of Kes.157 million.



NZOIA SUGAR COMPANY LIMITED

MANAGING DIRECTOR'S REPORT (Continued)

Highlights for the year ended 30 June 2017 are as follows;

- Scooped the best position in the ISO certified firms exhibition in Nairobi.
- Awarded the super brand status
- Commissioned new data centre
- Registered Nzoia sugar company clinic with the NHIF awaiting accreditation certificate. Negotiations are also ongoing for super cover benefits
- Achieved weighbridge integration with the Agriculture Management System.
- Operationalized Makhese and Wiyeta cane trans loading centres.
- Implementation of new ERP for both AMS and SAP underway.
- Developed a new strategic plan 2017-2022

Challenges for the quarter under review were as follows:

- The Company bagged 46,724 tons of sugar (2016- 59,148 tons) against budget of 73,232 tons of sugar.
- The TC:TS ratio was 12.45 (2016-11.93) compared to budget of 9.90.
- Stiff competition for cane from rival millers.
- Lack of cane due to cane poaching leading to factory stops.
- Prolonged drought that led to stunted growth with some cane drying up.
- Milling of young cane with low pol.
- Cash flow challenges.
- High cost of production brought about by underutilization of factory capacities and also logistical challenges of ferrying cane from Western Zone.

WAY FORWARD

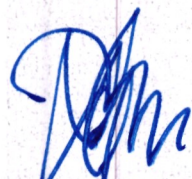
The company plans to counter the various challenges as follows:

a. Short term measures

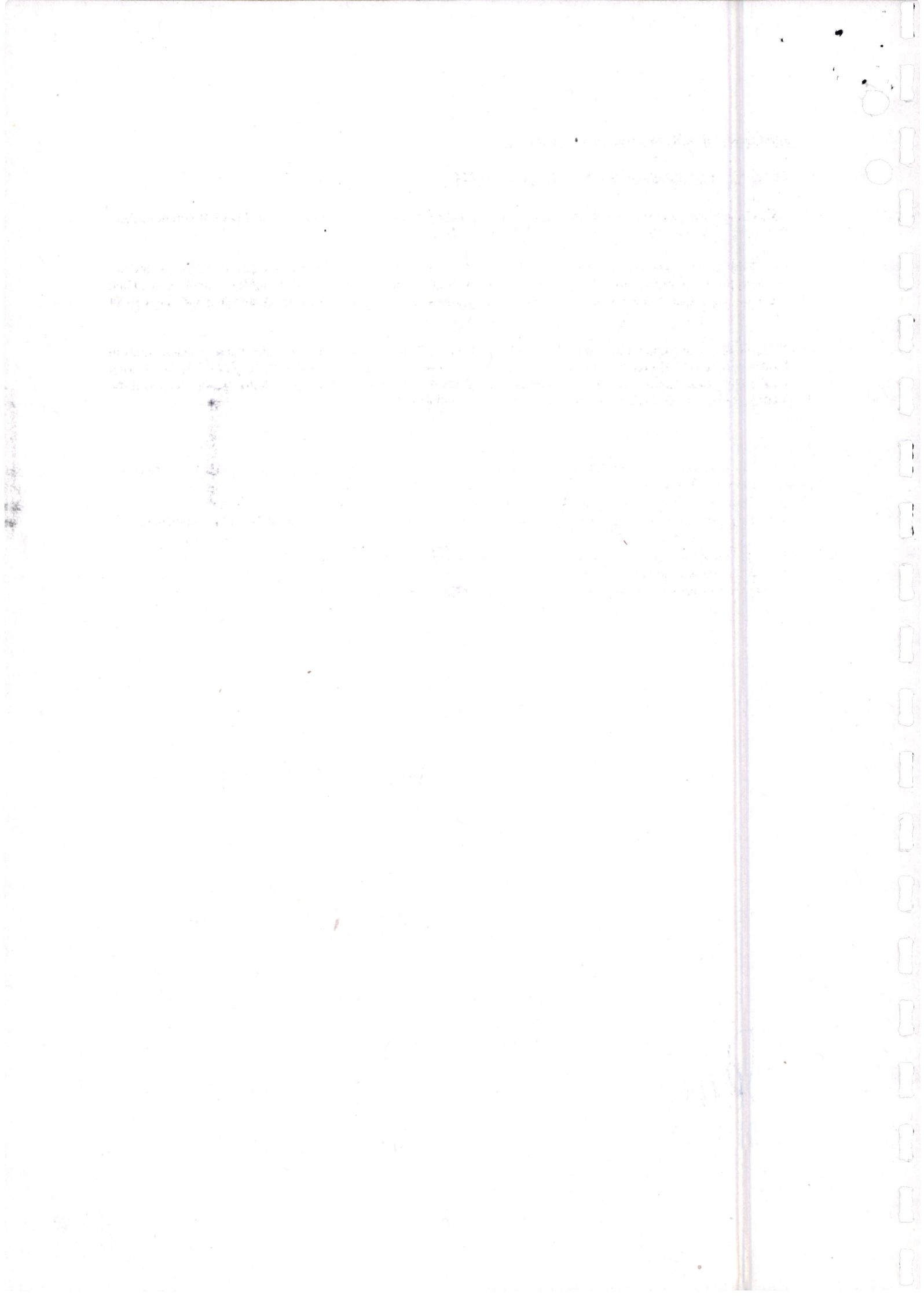
- Increase area under cane by planting more cane.
- Automation of business processes that will assist in cost control and eliminate wastages.
- No filling of vacant positions on staff exits unless on very critical jobs.
- Mechanisation of farm operations at the Nucleus Estate so as to improve on cane husbandry.
- Multi-skilling of staff.

b. Long term measures

- Revenue diversification to increase alternative revenue streams in area of Agribusiness and value addition for sale in domestic market.
- Liming of acidic soils in Nucleus Estate and out growers.
- Improve on mud filtration system to avoid loss of sugar in mud.
- Increase area under cane by leasing and planting more cane in out growers region.



MICHAEL KULUNDU
AG. MANAGING DIRECTOR



NZOIA SUGAR COMPANY LIMITED

CORPORATE GOVERNANCE STATEMENT

Nzoia Sugar Company is established by and derives its authority and accountability from the State Corporations Act Cap 446 and the Company's Act Cap 486 of the laws of Kenya.

The Board of Directors, duly cognizant of its role in safeguarding shareholders' assets and ensuring a suitable return on investment, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability. The Board has a board charter that outlines the structure, duties, procedure and the standard of service delivery.

The company is committed to maintaining the highest standards of integrity, professionalism and business ethics in all its operations. The company has a code of ethics which gives senior management the responsibility of ensuring legal and statutory compliance. In addition, the Code deals with situations relating to best practices as well as those situations that may give rise to conflict of interest in the conduct of business.

Corporate Governance

- Consultation between the Chairman of the Board, Managing Director and parent ministry were made during the year under review.
- Company had all necessary licenses to operate e.g. Sugar Millers License.
- Key board decisions were forwarded to the parent ministry for necessary approvals before implementation.
- Board Charter was in place.
- Consultant was engaged to facilitate the company to review its strategic plan.
- Approved the annual procurement plan.
- Directors were trained on Corporate Governance and best business practices.

1942

...

...

...

...

...

...

...

...

...

...

...

...

NZOIA SUGAR COMPANY LIMITED

SOCIAL RESPONSIBILITY REPORT

We believe that the future success of the company depends on the company focusing on the interests of the primary stakeholders, who include government, customers, suppliers, employees as well as the community. The company plans to focus on the major customer "the farmer" to be able to cultivate trust, loyalty and goodwill in its future CSR programmes.

CSR is a kind of charity or philanthropic activity associated with community development through which a company is able to enjoy a mutually beneficial relationship with the community around it. The company has a corporate social responsibility policy in place that guides the selection, approval and implementation process of all CSR projects.

During financial year 2016/2017, the following projects were undertaken: -

Education

The company has continued to invest in the education sector and this has been underpinned by the recognition that a skilled and high impact talent pool is critical for Kenya's long term economic development. As a demonstration of the commitment to the education sector, the company has partnered with primary and secondary schools in the larger Bungoma County and the Nation as a whole and done the following:

- The company donated KSh 275,273 to Nzoia Girls Secondary School for construction of sinking latrines at the school.
- The company sponsored Jilvian Wabwile daughter to the former slain employee Robert Simiyu to undertake studies as a first year student at the cost of KSh 125,000 at Moi University.
- Donated KSh 145,000 to St. Christopher Mabanga Girls Secondary School for multipurpose hall.
- Donated KSh 58,500 to Keasler Childrens' Home to purchase blankets and sugar for the children.

Healthcare

- The company has continued to support the community by offering medical services on an emergency basis to the community including provision of mother to child healthcare services and other medical services from the company clinic.
- The company has a VCT centre for counselling and testing for HIV/AIDS and this clinic is open to the community.

Youth Development and Sports

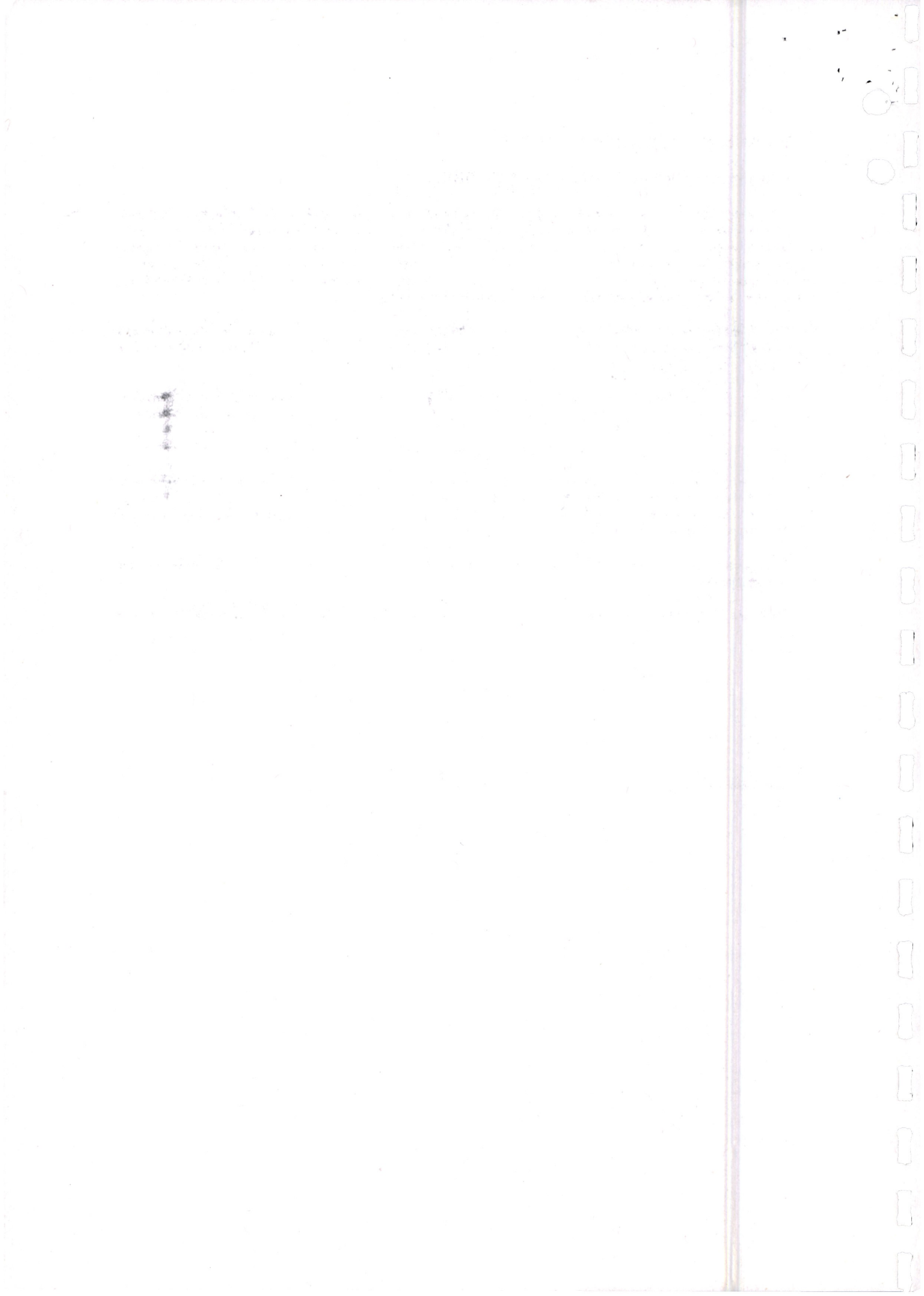
- Nzoia Sugar Company is a full sponsor of Nzoia Sugar FC. The team was recently promoted from the National Super League (NSL) to the Kenya Premiere League (KPL) after exemplary performance. The team employs talented young boys and nurtures them to be great players.
- The company also sponsored Webuye Rugby Football club to the tune of KSh 800,000 cash of which would be advanced in instalments. KSh 400,000 has already been disbursed to the club.
- The company also donated KSh 50,000 to the National Youth Council, Bungoma County in support of a boot camp for models.

Environmental Sustainability

- The company continues to place safety at workplace as its first priority. The company has also conserved the environment by giving out tree seedlings for the community to plant in the annual tree planting exercises. For instance, the company donated 500 tree seedlings to St. Longinus Church to plant around the community for wind breaking purposes.

Assistance to Disasters/ Emergencies

- The company donated 10 bales of 1kg sugar to Kenya Red Cross Society Bungoma Branch to help support asylum seekers.
- The company also donated KSh 100,000 to the Kenya Red Cross Bungoma County towards a humanitarian half marathon to prepare community for humanitarian and development needs before their occurrence. 8 staff members also represented the company during the event.



NZOIA SUGAR COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure that the Company maintains proper accounting records that are sufficient to show and explain the transactions of the Company and disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company, and for taking reasonable steps for the prevention and detection of fraud and error.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. They also accept responsibility for:

- (i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (ii) selecting suitable accounting policies and applying them consistently; and
- (iii) making accounting estimates and judgements that are reasonable in the circumstances.

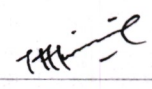
As disclosed in note 3 to the financial statements, the directors acknowledge that the company's ability to continue with its operations as a going concern depends on continued financial support from its shareholders. The directors are confident that the company will successfully return to profitable operations in the near future. Accordingly, the directors consider the going concern assumption appropriate.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 8th September 2018 and signed on its behalf by:



Director



Director

2018



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR GENERAL ON NZOIA SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nzoia Sugar Company Limited set out on pages 17 to 54, which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Deloitte & Touche, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report. I am satisfied that all the information and explanation which, to the best of my knowledge and belief were necessary for the purpose of the audit were obtained.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nzoia Sugar Company Limited as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Kenyan Companies Act 2015.

Further, as required by Article 229(6) of the Constitution, except for the matter described in the Basis for Qualified Opinion section of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way

Basis for Qualified Opinion

1. Property, Plant and Equipment

Included in the property, plant and equipment balance of Kshs.12,069,771,000 held as at 30 June 2017 is a plant with a carrying value of Kshs.295,697,000 based on a valuation carried out in June 2015 by a local asset valuation firm. This plant was acquired in the period between 1990 and 1993 when the company undertook an expansion of the factory's cane crushing capacity from 3,000 to 7,000 tons of cane per

Report of the Auditor-General on the Financial Statements of Nzoia Sugar Company Limited for the year ended 30 June 2017

day. The expansion was financed by Arkel International LLC and guaranteed by the Government of Kenya. However, as previously reported, the expansion program was not completed and the plant has been lying idle since acquisition and has not generated any income for the company. In the valuation report, a proportion of the machinery are in a deteriorated state.

In addition, the Company has not recorded possible impairment charge on this asset which has been lying idle for over 27 years.

Also, the Company does not maintain a comprehensive fixed assets register which incorporates all pertinent fixed assets transactions, such as disposals, impairment of assets and transfer of capital work-in-progress items to other asset classes yet comprehensive and updated fixed assets register is an integral part of the fixed assets management process.

2. Provisions and Contingent Liabilities

As at the date of this report, independent confirmations from all the Company lawyers had not been received with regard to on-going litigations. There were no alternative procedures that could be performed to establish the impact that outstanding cases could have on these financial statements.

In the circumstances, it was not possible to ascertain the impact, if any, that the information held by Company lawyers could have on these financial statements including whether additional provisions should be recognized or contingent liabilities disclosed.

3. Management of Out-growers (Farmers) Balances

The out growers (farmers) are managed using the Association Management Software (AMS) system which captures individual farmer records while the finance management is under Systems, Applications and Products (SAP) system which maintains a control account of the total out grower's balances. The interface between the two systems is still manually done and the records between the two are not consistent. Further, there are no periodic reconciliations of the balances from the two systems despite the management investing heavily on the new systems to a total cost of Kshs.235,634,000.

In addition, a review of out growers' balances revealed that some balances were not accurately captured as thus the balances due from farmers had been significantly misstated. The system failed to capture the specified survey rates during posting and instead used the acknowledgement of debit number and dates as amounts due from the farmers.

It was noted that the continued lack of proper management of advances to farmers has led to the deterioration of the out-grower balances and the resultant significant losses to the company in the form of uncollectible out-growers' balances. The company held

doubtful debt provisions of Kshs.359,000,000 (2016: Kshs.363,000,000) against outstanding gross out growers balances of Kshs.382,000,000 (2015: Kshs.383,000,000) as at 30th June 2017, indicating un-collectability rate of 94% (2016: 95%) of receivables from out growers.

In the circumstances, it was not possible to confirm accuracy of the balance of Kshs.359,000,000 due from out-growers as at 30 June 2017.

4. The National Treasury Guaranteed Loans

The Government of Kenya through the National Treasury loans guaranteed to the Company's creditors stood at Kshs.36,289,427,006 as at 30 June 2017 (2016: Kshs.35,712,256,774) comprising principal amount of Kshs.10,095,628,375 and accrued interest of Kshs.26,193,798,631. However, Sessional Paper No. 12 of 2012 on write off of excess Government of Kenya debt owed by the Company presented to Parliament in 2009 by the Finance Minister indicates a debt of Kshs.21,782,367. The figure is much lower than the outstanding loan liability of Kshs.36,289,427,006. The Company continues to default on repayments while there is no actionable evidence of write -off previously expected from the Government.

In the circumstance, it was not possible to establish the correct loan balance and how the management intends to address this adverse state of huge debt.

5. Loan from the Agriculture and Food Authority

The company's borrowings held at 30 June 2017 in the statement of financial position included a loan amount of Kshs.2,403,175,624 (2016: Kshs.2,114,943,014) due to the Agriculture and Food Authority. Management has not met the loan covenant terms and has not made payment for either the principal or interest accrued on the loan. Further, the company has not complied with the Sugar Act No.10 of 2001 by remitting the Sugar Development Levy amounting to Kshs.856,603,000 (2016: Kshs.820,216,000) on time. Also, I have not received an independent confirmation from the Agriculture and Food Authority regarding the outstanding Sugar Development Levy.

In the circumstances, it is not possible to confirm the accuracy of the loan balance and also determine whether any adjustments might have been found necessary in respect of the recorded loan amount as at 30 June 2017.

6. Non-remittance of Taxes and Other Levies

During the year under review, the Company did not clear outstanding payments of recovered balances of Pay-As-You-earn (PAYE), Value-Added-Tax(VAT), Sugar Development Levy(SDL) and Withholding Taxes to the respective institutions notwithstanding the growing arrears and penalties for non-payment.

7. Unexplained increases in Inventory Valuations

During the year under review, the Company recorded significant growth in inventory valuation whereas it was noted that there was no material acquisition of new inventories. This situation exposes the Company to outstanding balances, which totaled Kshs.1,874,000.000 accrued as at 30 June 2017 (2016: Kshs1,398,000,000). In the circumstances, the company risks enforcement actions by the tax authorities that may include attachment of assets. In essence, there were clear instances where the valuation of inventory items had materially increased despite there being no new issues or purchases done in the period, such as; loading control spring-Code,42001583 which despite no new purchases or issues in the year had in the inventory valuation listing of June 2017, a material difference in value compared to the June 2016 valuation listing.

Further, the item's initial purchase cost was different from the recorded value in both the valuation listings. The re-computation procedure performed on the weighted cost of the item from the data availed for audit purposes indicated that the valuation was overstated by about Kshs.11,900,000.

In the circumstances, it was not possible to confirm the value of inventories of Kshs.494,479,000 reported as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nzoia Sugar Company Limited in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

I draw your attention to Note 3 to the financial statements which indicates the Company had a shareholders' deficit of Kshs.34,195,129,000 (2016: Kshs.1,406,537,000) and current liabilities exceeded current assets by Kshs.43,094,574,000 (2016: 40,522,654,000). The Company has also defaulted on repayment of both principal and interest on borrowings due to the National Treasury and the Agriculture and Food Authority totaling to Kshs.38,693,301 (2016: Kshs.38,062,015)

This situation, along with other matters set forth in Note 3, indicates the existence of material uncertainty which may cast doubt on the Company's ability to continue as going concern. The financial statements have, however, been prepared on the going concern basis on assumption that it will continue to get financial support from the National Government and creditors.

Secondly, the Company continued to incur losses in the current year, reporting an operating loss of Kshs.2,926,840(2016: Kshs.3,241,093.) This state of affairs is indicative of the acute financial challenges facing the Company and raises significant doubts on the company's ability to operate as a going concern.

Key Audit Matters

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

Responsibilities of Management and Those charged with Governance for the Financial Statements

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

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 applicable basis of accounting unless the management is aware of the intention to liquidate the Company or cease its operations..

The 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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern or to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

REPORT ON OTHER MATTERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records;
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the accounting records; and
- (iv) In my opinion, the information given in the report of the directors is consistent with the financial statements.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 September 2018

NZOIA SUGAR COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
	Notes	Shs'000	(restated) Shs'000
Revenue	4	4,356,786	4,232,484
Fair value (loss)/gain on biological assets	13	(224,235)	67,382
Operating income		4,132,551	4,299,866
Cost of sales		(3,905,252)	(3,716,061)
Gross profit		227,299	583,805
Other operating income		68,112	285,669
Marketing and distribution costs		(32,514)	(25,203)
Administrative expenses		(2,464,044)	(2,512,337)
Interest income	5(a)	8,950	10,461
Finance costs	5(b)	(589,622)	(884,081)
Loss before taxation	6	(2,781,820)	(2,541,686)
Taxation charge	8	(138,248)	(675,727)
Loss for the year		(2,920,068)	(3,217,413)
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of property		-	-
Deferred tax on gain on revaluation of property		-	-
Defined benefit scheme remeasurement charge	19(b)	(6,772)	(23,680)
Other comprehensive loss		(6,772)	(23,680)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,926,840)	(3,241,093)

NZOIA SUGAR COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 Shs'000	2016 (restated) Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	9	12,069,771	12,708,079
Intangible assets	10	200,411	1,340
Investment property	16	250,000	230,000
Due from out-growers	11	-	6,460
		<hr/>	<hr/>
		12,520,182	12,945,879
Current assets			
Due from out-growers	11	23,115	12,920
Inventories	12	494,479	536,986
Unharvested cane	13	342,721	566,956
Trade and other receivables	14	140,680	143,133
Defined benefit scheme asset	19(b)	-	9,247
Taxation recoverable	8(c)	-	72
Short term deposits	15	90,047	19,231
Cash and bank balances		2,364	116,239
		<hr/>	<hr/>
		1,093,405	1,404,784
Total assets		<hr/> 13,613,587 <hr/>	<hr/> 14,350,663 <hr/>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	543,000	543,000
Revaluation surplus		6,088,752	6,328,656
Retained deficit		(41,327,127)	(38,640,191)
Shareholders' deficit		(34,695,375)	(31,768,535)
Non current liabilities			
Deferred taxation	18	3,885,282	3,749,719
Borrowings	20(a)	233,016	442,041
		<hr/>	<hr/>
		4,118,298	4,191,760
Current liabilities			
Retirement benefits obligations	19(a)	243,948	323,563
Borrowings	20(a)	38,460,285	37,619,974
Trade and other payables	21	5,396,524	3,892,289
Provision for staff leave pay	22	89,137	91,612
Defined benefit scheme liability	19(b)	45	-
Taxation payable	8(c)	726	-
		<hr/>	<hr/>
		44,190,664	41,927,438
Total equity and liabilities		<hr/> 13,613,587 <hr/>	<hr/> 14,350,663 <hr/>

The financial statements on pages 17 to 54 were approved and authorised for issue by the board of directors on 8th September 2017 and were signed on its behalf by:

Director

Director

NZOIA SUGAR COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2017

	Share capital Shs'000	Revaluation surplus Shs'000	Retained deficit Shs'000	Total Shs'000
At 1 July 2015				
- As previously stated	543,000	7,571,515	(35,731,379)	(27,616,864)
- Prior year adjustment (note 29(b))	-	(910,578)	-	(910,578)
As restated	543,000	6,660,937	(35,731,379)	(28,527,442)
Total comprehensive loss	-	-	(3,228,135)	(3,228,135)
Transfer of excess depreciation	-	(474,687)	474,687	-
Deferred tax on excess depreciation	-	142,406	(142,406)	-
At 30 June 2016	543,000	6,328,656	(38,627,233)	(31,755,577)
At 1 July 2016				
- As previously stated	543,000	6,328,656	(38,627,233)	(31,755,577)
- Prior year adjustment (note 29(b))	-	-	(12,958)	(12,958)
As restated	543,000	6,328,656	(38,640,191)	(31,768,535)
Total comprehensive loss	-	-	(2,926,840)	(2,926,840)
Transfer of excess depreciation	-	(342,720)	342,720	-
Deferred tax on excess depreciation	-	102,816	(102,816)	-
At 30 June 2017	543,000	6,088,752	(41,327,127)	(34,695,375)

The revaluation surplus represents the net cumulative surplus arising from revaluation of property, plant and equipment net of depreciation and deferred taxation. The revaluation surplus is non-distributable.



NZOIA SUGAR COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 Shs'000	2016 (restated) Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24(a)	227,366	416,963
Interest received	5(a)	8,950	10,461
Interest paid		(8,362)	(3,337)
Taxation paid	8(c)	(1,805)	
Net cash from operating activities		226,148	424,087
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	9	(233,102)	(524,200)
Additions to intangible assets		(29,468)	-
Net cash used in investing activities		(262,570)	(524,200)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received	20(b)	-	200,000
Loans repaid	20(b)	(6,637)	(26,663)
Net cash generated (used in)/from financing activities		(6,637)	173,337
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(43,059)	73,224
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		135,470	62,246
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24(b)	92,411	135,470

EXHIBIT A

STATE OF TEXAS
COUNTY OF [illegible]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

For purposes of reporting under the Kenyan Companies Act, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

Application of new and revised International Financial Reporting Standards (IFRSs)

- (i) *Relevant new standards and amendments to published standards effective for the year ended 30 June 2017*

IAS 1 Disclosure Initiative

The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the company, and should be separated into the share of items that, in accordance with other IFRSs:

- (i) will not be reclassified subsequently to profit or loss; and
- (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The application of these amendments has not resulted in any impact on the financial performance or financial position of the Company.

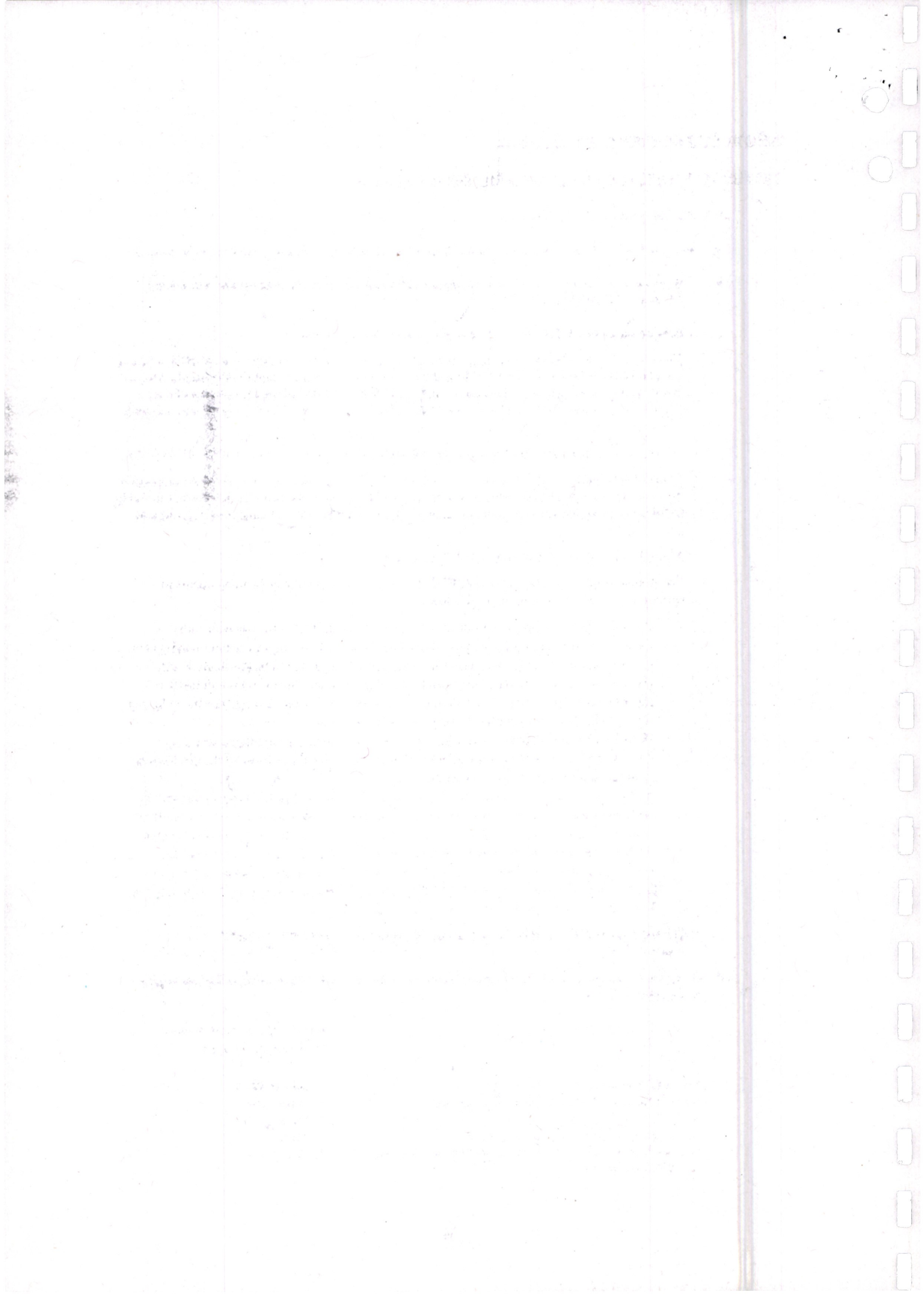
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment.

The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (i) when the intangible asset is expressed as a measure of revenue; or
- (ii) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Company already uses the reducing balance and straight-line method for depreciation and amortisation of its property and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Company's financial statements.



NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

- (i) *Relevant new standards and amendments to published standards effective for the year ended 30 June 2017(Continued)*

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The company has applied the amendment and there has been significant impact on the company's financial statements. The company's cane roots qualify as bearer plants under the new definition in IAS 41. For more information about the change in accounting policy for cane roots refer to note 29.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below:

- IFRS 5 - The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for- distribution accounting is discontinued.
- IFRS 7 - The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.
- IAS 19 - The amendments clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the company financial statements.

- (ii) *Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017*

New and Amendments to standards

Effective for annual periods beginning on or after

IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IAS 7 Disclosure Initiative	1 January 2017
Amendments to IAS 12 Recognition of Deferred Tax Assets for unrealised losses	1 January 2017

[Faint, illegible text, likely bleed-through from the reverse side of the page]

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 June 2017 and future annual periods*

IFRS 9 Financial Instruments

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.
- all other debt instruments must be measured at FVTPL.
- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.
- IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

1954

The following information was obtained from a confidential source...

On 12/15/54, the source advised that...

The source further stated that...

It was noted that...

The source also mentioned...

In addition, the source reported...

The source's information is being provided for your information...

Very truly yours,

Special Agent in Charge

Enclosure

CONFIDENTIAL

SECRET

CONFIDENTIAL

SECRET

CONFIDENTIAL

SECRET

CONFIDENTIAL

SECRET

CONFIDENTIAL

SECRET

CONFIDENTIAL

SECRET

CONFIDENTIAL

SECRET

CONFIDENTIAL

SECRET

CONFIDENTIAL

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 June 2017 and future annual periods (Continued)*

IFRS 9 Financial Instruments (Continued)

Phase 2: Impairment methodology

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The directors of the Company anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is early adopted).

MEMORANDUM FOR THE RECORD

DATE: 10/15/44

Subject: [Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

[Faint text]

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

I ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 June 2017 and future annual periods (Continued)*

IFRS 15 Revenue from Contracts with Customers (Continued)

As mentioned above, the new revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Far more prescriptive guidance has been introduced by the new revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.
- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.
- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. However, the standard is not expected to have any significant impact on the Company's financial Statements.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

NOTICE TO THE PUBLIC OF THE DEPARTMENT OF JUSTICE

REGARDING THE DEPARTMENT OF JUSTICE

The Department of Justice is pleased to announce that it has received a grant from the National Endowment for the Humanities to support a project on the history of the Department of Justice.

The project will be directed by Professor [Name] of [Institution] and will focus on the role of the Department of Justice in the development of the American legal system.

The project will include a series of lectures, seminars, and publications that will explore the Department's history from its early days to the present.

The project is expected to be completed by the end of the year and will provide a valuable resource for scholars and the general public alike.

For more information about the project, please contact the Department of Justice at [Address] or [Phone Number].

The Department of Justice is committed to promoting the highest quality of research and scholarship in the field of American history.

We look forward to the completion of this project and the publication of its findings.

Very truly yours,
[Signature]

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 June 2017 and future annual periods (continued)*

IFRS 16 Leases (Continued)

The directors of the Company do not anticipate that the application of IFRS 16 in the future may have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities. However, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the company do not anticipate that the application of these amendments will have a material impact on the financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the following:

- Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
- When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
- The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
- In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

(iv) *Early adoption of standard*

The company did not early-adopt any new or amended standards in the period.

REPORT OF THE
COMMISSIONER OF THE
GENERAL LAND OFFICE

IN RESPONSE TO A RESOLUTION PASSED BY THE
LEGISLATIVE ASSEMBLY OF HONG KONG
ON 15 FEBRUARY 1984

1. The Commission has the honor to acknowledge the receipt of the
Resolution of the Legislative Assembly of Hong Kong dated 15 February 1984
relating to the Commission's report on the land use planning and
development of the New Territories.

2. The Commission has considered the Resolution and has prepared this
report in response to it. The Commission's report on the land use
planning and development of the New Territories is published
separately.

3. The Commission's report on the land use planning and development of
the New Territories is published in two volumes. Volume I contains
the Commission's findings and recommendations. Volume II contains
the Commission's proposals for the land use planning and development
of the New Territories.

4. The Commission's report on the land use planning and development of
the New Territories is published in two volumes. Volume I contains
the Commission's findings and recommendations. Volume II contains
the Commission's proposals for the land use planning and development
of the New Territories.

5. The Commission's report on the land use planning and development of
the New Territories is published in two volumes. Volume I contains
the Commission's findings and recommendations. Volume II contains
the Commission's proposals for the land use planning and development
of the New Territories.

6. The Commission's report on the land use planning and development of
the New Territories is published in two volumes. Volume I contains
the Commission's findings and recommendations. Volume II contains
the Commission's proposals for the land use planning and development
of the New Territories.

7. The Commission's report on the land use planning and development of
the New Territories is published in two volumes. Volume I contains
the Commission's findings and recommendations. Volume II contains
the Commission's proposals for the land use planning and development
of the New Territories.

8. The Commission's report on the land use planning and development of
the New Territories is published in two volumes. Volume I contains
the Commission's findings and recommendations. Volume II contains
the Commission's proposals for the land use planning and development
of the New Territories.

9. The Commission's report on the land use planning and development of
the New Territories is published in two volumes. Volume I contains
the Commission's findings and recommendations. Volume II contains
the Commission's proposals for the land use planning and development
of the New Territories.

10. The Commission's report on the land use planning and development of
the New Territories is published in two volumes. Volume I contains
the Commission's findings and recommendations. Volume II contains
the Commission's proposals for the land use planning and development
of the New Territories.



NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting as modified to include the revaluation of certain assets. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous years and are set out below:

Revenue recognition

(i) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recorded net of estimated customer returns, rebates and other similar allowances. Revenue from the sale of sugar and molasses is recognised when all the following conditions are satisfied and is stated net of Value Added Tax, Sugar Development Levy, excise duty and discounts where applicable:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company and;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Sugar Development Levy does not apply to export sugar and molasses sales. Value Added Tax does not apply to export sugar sales as well as sales to exempted entities.

(ii) Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Other income

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

Foreign currencies

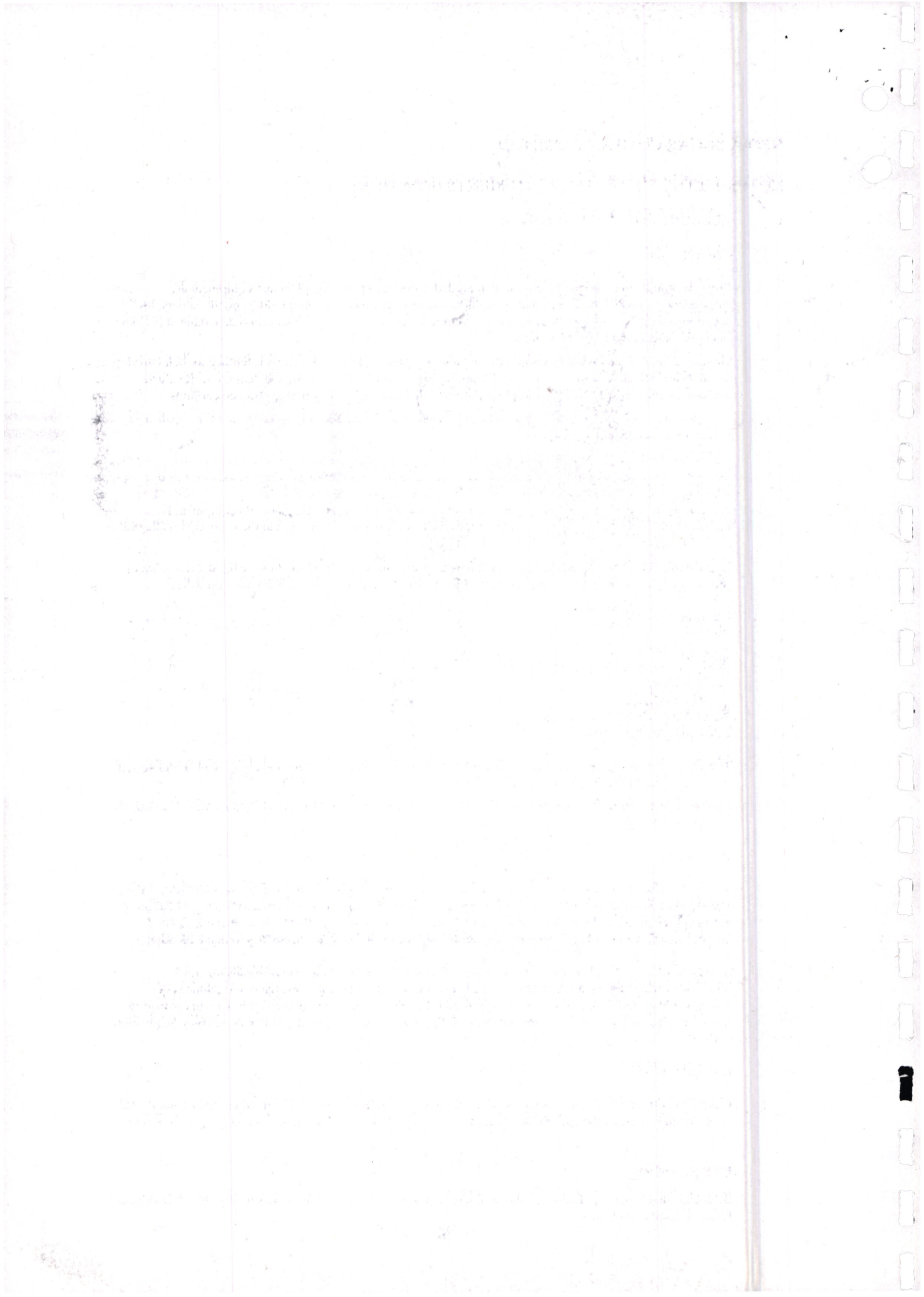
In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Taxation

Income taxation expense represents the sum of current taxation and deferred 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 taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxation.



NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. All property, plant and equipment are subsequently shown at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation and any accumulated impairment losses. Such valuation is carried out at periodic intervals, usually after every five years.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining the profit before taxation. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

The carrying values of property, plant and equipment are reviewed annually and adjusted for impairment where it is considered necessary.

Any revaluation increase arising on the revaluation is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation is calculated on the reducing balance method to write off the cost or the revalued amount of each asset to its estimated residual value over its estimated useful life. The annual rates used are:

Land development	Nil
Buildings	5% - 10%
Factory plant and machinery	10%
Heavy mobile machinery and trailers	15% - 35%
Motor vehicles	25%
Computer systems	30%
Water and electrical installations	15%
Other equipment and fixtures	15%

The annual depreciation on the revaluation surplus element of property, plant and equipment is transferred from the revaluation surplus to retained earnings.

Cane roots are depreciated on a straight-line basis over the expected useful lives not exceeding a period of five years.

Inventories

Finished sugar and molasses inventories are stated at the lower of production cost and net realisable value. Production 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 the estimated costs necessary to make the sale.

Spares, fertilisers, chemicals and other consumable stores are stated at cost net of provisions for impairment where applicable. Cost is calculated on the weighted average cost basis and includes the purchase price, import duties and other taxes (other than those subsequently recoverable by the company from the taxation authorities), and transport, handling and other costs directly attributable to the acquisition of the item.

Intangible assets

Computer software costs are recognised as assets and are stated at cost less accumulated amortisation. The costs are amortised on the straight line basis over the expected useful lives not exceeding a period of three years.

Biological assets

Biological assets (cane plantations) and agricultural produce (harvested cane) are stated at their fair values less estimated costs to sale.

The first part of the lecture discusses the concept of work and energy. It starts with the definition of work as the dot product of force and displacement. The work done by a constant force is given by $W = \mathbf{F} \cdot \mathbf{d}$. If the force and displacement are in the same direction, the work is simply $W = Fd$. The work done by a variable force is given by $W = \int \mathbf{F} \cdot d\mathbf{r}$.

The second part of the lecture discusses the concept of kinetic energy. The kinetic energy of a particle of mass m moving with velocity \mathbf{v} is given by $K = \frac{1}{2}mv^2$. The work-energy theorem states that the net work done on a particle is equal to the change in its kinetic energy: $W_{net} = \Delta K$. This theorem is derived from Newton's second law and the definition of work.

The third part of the lecture discusses the concept of potential energy. The potential energy of a particle in a conservative force field is defined such that the work done by the force is equal to the negative change in potential energy: $W = -\Delta U$. For a constant force, the potential energy is $U = -\mathbf{F} \cdot \mathbf{r}$. For a spring, the potential energy is $U = \frac{1}{2}kx^2$.

The fourth part of the lecture discusses the concept of mechanical energy. The total mechanical energy of a particle is the sum of its kinetic energy and potential energy: $E = K + U$. In a conservative force field, the total mechanical energy is conserved: $E = \text{constant}$. This is a direct consequence of the work-energy theorem and the definition of potential energy.

The fifth part of the lecture discusses the concept of power. Power is the rate at which work is done or energy is transferred: $P = \frac{dW}{dt}$. For a constant force, the power is $P = \mathbf{F} \cdot \mathbf{v}$. The power of a machine is the rate at which it does work.

The sixth part of the lecture discusses the concept of angular momentum. The angular momentum of a particle of mass m moving with velocity \mathbf{v} at a position \mathbf{r} relative to a point is given by $\mathbf{L} = \mathbf{r} \times \mathbf{p}$, where $\mathbf{p} = m\mathbf{v}$ is the linear momentum. The torque $\mathbf{\tau}$ is the rate of change of angular momentum: $\mathbf{\tau} = \frac{d\mathbf{L}}{dt}$.

The seventh part of the lecture discusses the concept of conservation of angular momentum. In a central force field, the torque is zero, and the angular momentum is conserved: $\mathbf{L} = \text{constant}$. This is a consequence of the fact that the force is directed along the line connecting the particle to the center of force.

The eighth part of the lecture discusses the concept of the virial theorem. The virial theorem states that the average kinetic energy of a particle in a bound system is equal to the negative of the average potential energy: $\langle K \rangle = -\langle U \rangle$. This theorem is useful for understanding the properties of stars and galaxies.

The ninth part of the lecture discusses the concept of the center of mass. The center of mass of a system of particles is the point at which the system's mass is concentrated. The motion of the center of mass is determined by the net external force: $\mathbf{F}_{net} = M\mathbf{a}_{cm}$, where M is the total mass and \mathbf{a}_{cm} is the acceleration of the center of mass.

The tenth part of the lecture discusses the concept of the moment of inertia. The moment of inertia of a rigid body is a measure of its resistance to rotation. It is defined as $I = \sum m_i r_i^2$, where m_i is the mass of a particle and r_i is its distance from the axis of rotation. The angular momentum of a rigid body is $\mathbf{L} = I\boldsymbol{\omega}$, where $\boldsymbol{\omega}$ is the angular velocity.

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (Continued)

Biological assets (Continued)

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 estimated point of sale costs

Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised through profit or loss in the year in which they arise. The cane roots are bearer plants and are therefore presented and accounted for as property, plant and equipment (see note 9). However, the produce growing on these trees is accounted for as biological assets until the point of harvest. Harvested produce is transferred to inventory at fair value less costs to sell when harvested. The Company has applied the amendments made to the accounting standards in relation to the accounting for bearer plants from 1 July 2015; refer to Note 29 for further information.

The un-harvested cane on cane roots at the reporting date are measured at fair value less costs to sell using IAS41.

The cost of replanting, infilling and upkeep is recognised as an expense in the profit or loss. The gain or loss in valuation of biological assets and agricultural produce is dealt with in the profit or loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the company as a lessee. All other leases are classified as operating leases.

When a lease includes land and buildings elements, the company assesses the classification of each element as either a finance lease or an operating lease. In determining classification of the land element, an important consideration is that land normally has an indefinite economic life. Therefore the finance lease or operating lease classification of the land is considered a critical area of judgment. See note 2 to these financial statements.

The company as lessor

Assets held under finance leases are recognised as assets of the company at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the profit and loss account over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The company as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Cash and cash equivalents

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

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.

MEMORANDUM FOR THE RECORD

DATE: 10/15/52

TO: SAC, NEW YORK

FROM: SA [Name], NEW YORK

Re: [Name], [Address], [City], [State], [Zip].
[Name] is a [Nationality] born [Date], [City], [State].
[Name] is currently residing at [Address].

[Name] was interviewed on [Date] at [Address].
[Name] advised that [Name] is a [Nationality] and
has been in the United States since [Date].

[Name] stated that [Name] is currently employed
as a [Occupation] at [Address]. [Name] has been
employed by [Company] since [Date].

[Name] advised that [Name] is a [Nationality] and
has been in the United States since [Date]. [Name]
is currently residing at [Address].

[Name] stated that [Name] is currently employed
as a [Occupation] at [Address]. [Name] has been
employed by [Company] since [Date].

[Name] advised that [Name] is a [Nationality] and
has been in the United States since [Date]. [Name]
is currently residing at [Address].

[Name] stated that [Name] is currently employed
as a [Occupation] at [Address]. [Name] has been
employed by [Company] since [Date].

[Name] advised that [Name] is a [Nationality] and
has been in the United States since [Date]. [Name]
is currently residing at [Address].

[Name] stated that [Name] is currently employed
as a [Occupation] at [Address]. [Name] has been
employed by [Company] since [Date].

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (Continued)

Financial assets

Classification

The company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held-to-maturity assets; and, available-for-sale assets. Management determines the appropriate classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. Bad debts are written off when all reasonable steps to recover them have failed. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in number of delayed payments in the portfolio past average credit period as well as observable changes in national or economic conditions that correlate with default on receivables. The company's trade and other receivables as well as bank balances fall under this category.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available-for-sale. The collateral and the term deposits fall under this category.

Available-for-sale financial assets

This category represents financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held-to-maturity.

Recognition

Financial assets are initially recognised at fair value plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are dealt with in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

THE UNIVERSITY OF CHICAGO

...

...

...

...

...

...

...

...

...

...

...

...

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'. Financial liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of directly attributable transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The company's key other financial liabilities are:

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.

Trade and other payables

Trade and other payables are stated at their nominal value which approximates amortised cost.

Impairment

At the reporting date, the company reviews the carrying amounts of its financial 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 through profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately through profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared and appropriately authorized.

Employee benefits

Defined benefit scheme

The company operates a defined benefit post employment scheme for eligible non unionisable employees. The scheme was closed to new entrants with effect from 1 July 2007, following the setting up of a new defined contribution scheme. The assets of the scheme are held and administered independently of the company's assets.

The accrued (past service) liability in respect of each in-service Scheme member is taken as the present value of all benefits accrued as at the reporting date based on Pensionable Service to 30 June 2007 and Pensionable Salary as at 30 June 2007 revalued at 5% per annum compound, subject to a minimum of the accumulated contributions paid by and in respect of each member with interest to the valuation date. The accrued liability in respect of pensioners is taken as the present value of the expected future pension payments. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

REPORT OF THE COMMISSIONER OF THE GENERAL LAND OFFICE

IN RESPONSE TO A RESOLUTION OF THE HOUSE OF COMMONS

PASSED ON 12th JANUARY 1900

The Commission has the honor to acknowledge the receipt of the Resolution of the House of Commons, passed on 12th January 1900, and to inform you that the Commission has the pleasure to submit herewith the Report thereon.

The Commission has the honor to acknowledge the receipt of the Resolution of the House of Commons, passed on 12th January 1900, and to inform you that the Commission has the pleasure to submit herewith the Report thereon.

The Commission has the honor to acknowledge the receipt of the Resolution of the House of Commons, passed on 12th January 1900, and to inform you that the Commission has the pleasure to submit herewith the Report thereon.

The Commission has the honor to acknowledge the receipt of the Resolution of the House of Commons, passed on 12th January 1900, and to inform you that the Commission has the pleasure to submit herewith the Report thereon.

The Commission has the honor to acknowledge the receipt of the Resolution of the House of Commons, passed on 12th January 1900, and to inform you that the Commission has the pleasure to submit herewith the Report thereon.

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Actuarial valuations are carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plans.

Defined contribution schemes

The company operates a defined contribution provident fund for eligible unionisable employees. The fund is administered independently of the company's assets. It is funded by contributions from the company and employees. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The company's contributions to the fund are charged to profit or loss in the year to which they relate.

The company and its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme. The company's obligation is limited to a specified contribution per employee per month. The company's contributions are charged through profit or loss in the year to which they relate.

Provision for staff leave pay

A provision is made to recognise staff entitlements in respect of annual leave not taken as at the end of the financial year.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

MEMORANDUM FOR THE RECORD

DATE: 10/15/57

TO: SAC, NEW YORK

FROM: SA [Name], NEW YORK

SUBJECT: [Subject]

[Text]

[Text]

[Text]

[Text]

[Text]

[Text]

[Text]

[Text]

[Text]

[Text]

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (Continued)

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 only affects that period or in the period of the revision and future periods if the revision affects both current and future periods. These are dealt with below:

(i) Critical judgements in applying the company's accounting policies

Classification of leases of land and buildings as finance or operating leases

At the inception of each lease of land or building, the company considers the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The company also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

(ii) Key sources of estimation and uncertainty

Biological assets(unharvested cane)

The fair values of the un-harvested cane at the reporting date are measured at fair value less costs to sell using IAS 41. The most significant assumptions and estimates include use of forecast market prices for sugar, estimate of the costs to sell, biological transformation and maturity period for the, and the discount rate for the expected cash flows. The determination of these assumptions and estimates require careful judgment by the directors and any uncertainty could lead to material adjustments to the financial statements. The methodology and assumptions used are reviewed regularly to try to minimize differences between estimates and actual experience

The significant assumptions used are set out in note 13.

Property, plant and equipment and intangible assets

Critical estimates are made by the management in determining the useful lives of property, plant and equipment and intangible assets. This is the basis on which the depreciation and amortization rates applied on property, plant and equipment and intangible assets respectively are determined.

STATE OF TEXAS

IN SENATE, FEBRUARY 1, 1907.

REPORT OF THE COMMISSIONERS OF THE LAND OFFICE

AND OF THE COMMISSIONERS OF THE GENERAL LAND OFFICE

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (Continued)

(ii) Key sources of estimation and uncertainty (Continued)

Impairment

At the reporting date, the company reviews the carrying amounts of its assets to determine whether there is any objective evidence that those assets have suffered an impairment loss. If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Contingent liabilities

The company is exposed to various contingent liabilities in the normal course of business. Management evaluates 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 management's evaluation, a present obligation has been established.

3 GOING CONCERN

At 30 June 2017, the company had a shareholders' deficit of Shs 34,195,129,000 (2016: Shs 31,406,537,000) and current liabilities exceeded current assets by Shs 43,094,574,000 (2016: Shs 40,522,654,000). The Company has also defaulted on repayment of both principal and interest on borrowings due to the National Treasury and the Agriculture and Food Authority totalling Shs 38,460 million (2016: Shs 36,955 million). The conditions may indicate the existence of a material uncertainty which may cast doubt on the company's ability to continue as a going concern. The directors are of the opinion that the Government of Kenya and Agriculture and Food Authority will not demand for the settlement of the outstanding loan amounts. Should the Government of Kenya and the Agriculture and Food Authority demand for the settlement of their net loans, 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 noted in a report presented to parliament, the cabinet has prepared a proposal for the write off of all Government of Kenya loans and accrued interest, taxes and related penalties. There are also plans to privatise the company which will include restructuring of the company and bringing new investors on board.

In view of the foregoing, the directors consider it appropriate to prepare the financial statements on the going concern basis.

	2017 Shs'000	2016 Shs'000
4 REVENUE ANALYSIS		
Gross sales	5,077,374	5,102,210
Less: Sugar Development Levy	(36,358)	(166,005)
Less: Value Added Tax	(720,588)	(703,721)
	<hr/>	<hr/>
Net sales	4,356,786	4,232,484
	=====	=====
Net sales analysed as follows:		
Sugar sales	4,166,474	4,151,073
Molasses sales	190,312	81,411
	<hr/>	<hr/>
	4,356,786	4,232,484
	=====	=====

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 Shs'000	2016 Shs'000
5	(a) INTEREST INCOME	
	Interest income:	
	2,424	9,165
	5,622	1,114
	904	182
	<u>8,950</u>	<u>10,461</u>
	=====	=====
	The interest income on farmers' balances relates to the interest the company charges farmers in relation to credit advanced for farm inputs. The company recovers these amounts from the amounts payable to farmers on harvested cane.	
	2017 Shs'000	2016 Shs'000
	(b) FINANCE COSTS	
	589,622	884,081
	<u>589,622</u>	<u>884,081</u>
	=====	=====
6	LOSS BEFORE TAXATION	
	Loss before taxation is arrived at after:	
	Charging:	
	1,047,526	1,030,939
	688,934	737,372
	4,019	574
	-	-
	1,445	6,677
	39,804	38,971
	8,346	6,296
	101,649	14,722
	4,824	-
	<u>1,047,526</u>	<u>1,030,939</u>
	=====	=====
7	STAFF COSTS	
	804,582	768,267
	-	8,977
	71,241	53,016
	479	25,572
	65,700	66,668
	23,541	24,222
	62,517	56,588
	8,225	22,111
	8,721	5,334
	2,520	184
	<u>1,047,526</u>	<u>1,030,939</u>
	=====	=====

STATE OF CALIFORNIA
DEPARTMENT OF REVENUE

DATE	DESCRIPTION	AMOUNT
1917
1918
1919
1920
1921
1922
1923
1924
1925
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938
1939
1940
1941
1942
1943
1944
1945
1946
1947
1948
1949
1950
1951
1952
1953
1954
1955
1956
1957
1958
1959
1960
1961
1962
1963
1964
1965
1966
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
2040
2041
2042
2043
2044
2045
2046
2047
2048
2049
2050

...



NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 Shs'000	2016 Shs'000
8 TAXATION		
(a) Taxation charge		
Current taxation based on the adjusted profit for the year at 30% - current year	2,685	750
Prior year underprovision of taxation recoverable	(9)	-
Deferred taxation charge (note 18)	135,563	674,977
	<u>138,239</u>	<u>675,727</u>
(b) Reconciliation of expected tax based on loss before taxation charge		
Loss before taxation	(2,781,820)	(2,390,726)
	<u>(2,781,820)</u>	<u>(2,390,726)</u>
Tax at the applicable rate of 30%	(834,546)	(867,218)
Tax effect of non-deductible expenses	138,239	313,729
Tax effect of non-taxable income	-	-
Deferred tax not recognised	834,546	867,218
	<u>138,239</u>	<u>313,729</u>
(c) Taxation recoverable		
At beginning of the year	(72)	(822)
Paid in the year	(1,805)	-
Charge for the year	2,685	750
Prior year under provision of taxation recoverable	(9)	-
	<u>799</u>	<u>(72)</u>



NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land Shs '000	Factory building Shs '000	Residential & school buildings Shs '000	Plant & machinery Shs '000	Tractors, trailers & heavy vehicles Shs '000	Cars & motor cycles Shs '000	Furniture, fittings & equipment Shs '000	Computer system Shs '000	Factory tools & implements Shs '000	Water & electricity installation Shs '000	Cane Roots Shs '000	Capital WIP Shs '000	Total Shs '000
COST OR VALUATION													
At 1 July 2015													
As previously reported	5,800,339	625,442	100,771	6,171,290	182,510	79,910	27,443	8,975	4,455	117,604	-	1,087,952	14,206,331
Prior year adjustment	-	-	(1,191,483)	-	94,940	(9,010)	700	29,300	-	-	21,319	(225,273)	(1,279,507)
At 1 July 2015 - restated	5,800,339	625,442	100,771	4,979,807	277,450	70,900	28,143	38,275	4,455	117,604	21,319	862,319	12,926,824
Additions	-	-	-	1,263	86,572	70,900	2,650	10,005	2,236	1,600	6,545	388,792	524,200
Transfers	-	30,329	-	47,351	-	24,537	-	-	-	-	-	(77,680)	-
As at 30 June 2016 - restated	5,800,339	655,771	100,771	5,028,421	364,022	95,437	30,793	48,280	6,691	119,204	27,864	1,173,431	13,451,024
At 1 July 2016	5,800,339	655,771	100,771	5,028,421	364,022	95,437	30,793	48,280	6,691	119,204	27,864	1,173,431	13,451,024
Additions	-	2,255	-	5,984	7,321	14,714	8,947	11,901	5,260	-	35,968	140,752	233,102
Transfers	-	4,097	-	354,048	-	-	-	23,869	4,243	-	-	(386,257)	-
Disposals	-	-	-	-	(8,150)	(4,370)	-	-	-	-	-	-	(12,520)
Transfers to Intangible assets	-	-	-	-	-	-	-	-	-	-	-	(173,622)	(173,622)
At 30 June 2017	5,800,339	662,123	100,771	5,388,453	363,193	105,781	39,740	84,050	16,194	119,204	63,832	754,304	13,497,984
COMPRISING													
Cost	5,339	375,534	51,236	2,711,432	165,649	105,781	13,098	54,750	16,194	27,695	63,832	754,304	4,344,844
Valuation - 2009	2,350,300	196,079	49,535	2,677,021	102,604	-	25,942	-	-	72,846	-	-	5,474,327
Valuation - 2016	3,444,700	90,510	-	-	94,940	-	700	29,300	-	18,663	-	-	3,678,813
At 30 June 2017	5,800,339	662,123	100,771	5,388,453	363,193	105,781	39,740	84,050	16,194	119,204	63,832	754,304	13,497,984

[Faint, illegible text, possibly bleed-through from the reverse side of the page]



NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land Shs '000	Factory building Shs '000	Residential & school building Shs '000	Plant & machinery Shs '000	Tractors, trailers & heavy vehicles Shs '000	Cars & motor cycles Shs '000	Furniture, fittings & equipment Shs '000	Computer system Shs '000	Factory tools & implements Shs '000	Water & electricity installation Shs '000	Cane Roots Shs '000	Capital WIP Shs '000	Total Shs '000
DEPRECIATION													
At 1 July 2015	-	-	11,178	502,842	115,448	23,859	4,619	7,242	1,004	17,881	5,573	-	742,945
Charge for the period	-	53,299	-	-	-	-	-	-	-	-	-	-	-
As at 30 June 2016	-	53,299	11,178	502,842	115,448	23,859	4,619	7,242	1,004	17,881	5,573	-	742,945
At 1 July 2016	-	53,299	11,178	502,842	115,448	23,859	4,619	7,242	1,004	17,881	5,573	-	742,945
Charge for the year	-	49,028	10,619	487,963	74,174	20,754	5,268	11,521	1,642	15,199	12,766	-	688,934
Disposals	-	-	-	-	(2,573)	(1,093)	-	-	-	-	-	-	(3,666)
At 30 June 2017	-	102,327	21,797	990,805	187,049	43,520	9,887	18,763	2,646	33,080	18,339	-	1,428,213
NET BOOK VALUE (Valuation)													
As at 30 June 2017	5,800,339	559,796	78,974	4,397,648	176,144	62,261	29,853	65,287	13,548	86,124	45,493	754,304	12,069,771
At 30 June 2016	5,800,339	602,472	89,593	4,525,579	248,574	71,578	26,174	41,038	5,687	101,323	22,291	1,173,431	12,708,079
NET BOOK VALUE (Cost)													
At 30 June 2017	5,339	221,769	72,836	2,050,224	68,595	19,196	12,153	10,973	8,930	1,406	45,493	754,304	3,271,218
At 30 June 2016	5,339	221,769	72,836	2,050,224	68,595	19,196	12,153	10,973	8,930	1,406	22,291	1,173,431	3,644,851

STATE OF CALIFORNIA

Department of Public Health
Division of Field Epidemiology
1501 North Street, Sacramento, California 95833

Dear Sir:

Reference is made to your letter of 1/15/74.

The following information is being furnished to you:

1. Name of patient: _____

2. Date of birth: _____

3. Sex: _____

4. Address: _____

5. Telephone number: _____

6. Date of admission: _____

7. Date of discharge: _____

8. Name of attending physician: _____

9. Name of hospital: _____

10. Name of clinic: _____

11. Name of laboratory: _____

12. Name of consultant: _____

13. Name of referring physician: _____

14. Name of referring hospital: _____

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant and equipment were last revalued on 30 June 2016 by Real Appraisal Limited, registered valuers. Assets were revalued using the depreciated replacement cost method.

Capital work in progress mainly represents expenditure on incomplete factory works that were in progress at the end of the reporting period.

In 1977, the company was granted leasehold land registration East Bukusu/North Sangalo/1904, East Bukusu/East Sangalo/1444 and Ndivisi/Khalumuli/1459 from the Government of Kenya. In 2016, the leasehold land was valued at Shs 6,028,600,000.

10 INTANGIBLE ASSETS

	2017 Shs'000	2016 Shs'000
COST		
At 1 July	32,544	32,544
Additions	29,468	-
Transfers from Capital WIP	173,622	-
	<hr/>	<hr/>
As at 30 June	235,634	32,544
AMORTISATION		
At 1 July	31,204	30,630
Charge for the year	4,019	574
	<hr/>	<hr/>
At 30 June	35,223	31,204
	<hr/>	<hr/>
NET BOOK VALUE	200,411	1,340
	<u>=====</u>	<u>=====</u>

Intangible assets represent computer software costs.

11 DUE FROM OUTGROWERS

Due from outgrowers	382,390	383,188
Less: provision for doubtful debts	(359,274)	(363,808)
	<hr/>	<hr/>
	23,115	19,380
	<u>=====</u>	<u>=====</u>
Due within 1 year	15,410	12,920
After 1 year	7,705	6,460
	<hr/>	<hr/>
	23,115	19,380
	<u>=====</u>	<u>=====</u>
The movement in the provision for doubtful debts is as follows:		
At 1 July	363,808	349,085
Charge for the year	(4,534)	14,723
	<hr/>	<hr/>
At 30 June	359,274	363,808
	<u>=====</u>	<u>=====</u>

Due from out growers relates to credit advanced to farmers towards farm inputs. The cane planted acts as collateral for the amount advanced. The cane plants take a maximum of 2 years to harvest, all unrecovered debt after two years is therefore provided for as doubtful.

NEW YORK COUNTY CLERK
OFFICE OF THE CLERK OF THE SUPREME COURT

No.	Name	Address	City	County	State
1000	John Doe	123 Main St	New York	New York	New York
1001	Jane Smith	456 Park Ave	New York	New York	New York
1002	Robert Johnson	789 Broadway	New York	New York	New York
1003	Mary White	1010 5th Ave	New York	New York	New York
1004	William Brown	2020 6th Ave	New York	New York	New York
1005	Elizabeth Black	3030 7th Ave	New York	New York	New York
1006	James Green	4040 8th Ave	New York	New York	New York
1007	Patricia Gray	5050 9th Ave	New York	New York	New York
1008	Richard Hall	6060 10th Ave	New York	New York	New York
1009	Susan King	7070 11th Ave	New York	New York	New York
1010	Thomas Lee	8080 12th Ave	New York	New York	New York
1011	Barbara Miller	9090 13th Ave	New York	New York	New York
1012	Charles Moore	10100 14th Ave	New York	New York	New York
1013	Dorothy Taylor	11110 15th Ave	New York	New York	New York
1014	Edward Wilson	12120 16th Ave	New York	New York	New York
1015	Florence Young	13130 17th Ave	New York	New York	New York
1016	George Baker	14140 18th Ave	New York	New York	New York
1017	Helen Carter	15150 19th Ave	New York	New York	New York
1018	Isaac Davis	16160 20th Ave	New York	New York	New York
1019	Julia Evans	17170 21st Ave	New York	New York	New York
1020	Kenneth Foster	18180 22nd Ave	New York	New York	New York
1021	Lillian Gibson	19190 23rd Ave	New York	New York	New York
1022	Matthew Harris	20200 24th Ave	New York	New York	New York
1023	Nancy Kelly	21210 25th Ave	New York	New York	New York
1024	Oscar Lewis	22220 26th Ave	New York	New York	New York
1025	Peggy Martin	23230 27th Ave	New York	New York	New York
1026	Samuel Nelson	24240 28th Ave	New York	New York	New York
1027	Teresa Owen	25250 29th Ave	New York	New York	New York
1028	Victor Perry	26260 30th Ave	New York	New York	New York
1029	Wendy Quinn	27270 31st Ave	New York	New York	New York
1030	Xavier Reed	28280 32nd Ave	New York	New York	New York
1031	Yvonne Scott	29290 33rd Ave	New York	New York	New York
1032	Zachary Stone	30300 34th Ave	New York	New York	New York
1033	Alice Turner	31310 35th Ave	New York	New York	New York
1034	Benjamin Vance	32320 36th Ave	New York	New York	New York
1035	Christina Ward	33330 37th Ave	New York	New York	New York
1036	Donald Young	34340 38th Ave	New York	New York	New York
1037	Evelyn Ziegler	35350 39th Ave	New York	New York	New York
1038	Frank Adams	36360 40th Ave	New York	New York	New York
1039	Gladys Baker	37370 41st Ave	New York	New York	New York
1040	Harold Carter	38380 42nd Ave	New York	New York	New York
1041	Irene Davis	39390 43rd Ave	New York	New York	New York
1042	Jack Evans	40400 44th Ave	New York	New York	New York
1043	Katherine Foster	41410 45th Ave	New York	New York	New York
1044	Louis Gibson	42420 46th Ave	New York	New York	New York
1045	Margaret Hall	43430 47th Ave	New York	New York	New York
1046	Nathan King	44440 48th Ave	New York	New York	New York
1047	Olivia Lee	45450 49th Ave	New York	New York	New York
1048	Philip Miller	46460 50th Ave	New York	New York	New York
1049	Rebecca Moore	47470 51st Ave	New York	New York	New York
1050	Samuel Taylor	48480 52nd Ave	New York	New York	New York
1051	Tina Wilson	49490 53rd Ave	New York	New York	New York
1052	Ulysses Young	50500 54th Ave	New York	New York	New York
1053	Viola Baker	51510 55th Ave	New York	New York	New York
1054	Walter Carter	52520 56th Ave	New York	New York	New York
1055	Xenia Davis	53530 57th Ave	New York	New York	New York
1056	Yusef Evans	54540 58th Ave	New York	New York	New York
1057	Zoe Foster	55550 59th Ave	New York	New York	New York
1058	Abraham Gibson	56560 60th Ave	New York	New York	New York
1059	Betty Hall	57570 61st Ave	New York	New York	New York
1060	Carl King	58580 62nd Ave	New York	New York	New York
1061	Doris Lee	59590 63rd Ave	New York	New York	New York
1062	Ernest Miller	60600 64th Ave	New York	New York	New York
1063	Fred Moore	61610 65th Ave	New York	New York	New York
1064	Gina Taylor	62620 66th Ave	New York	New York	New York
1065	Harry Wilson	63630 67th Ave	New York	New York	New York
1066	Iris Young	64640 68th Ave	New York	New York	New York
1067	Jack Baker	65650 69th Ave	New York	New York	New York
1068	Karen Carter	66660 70th Ave	New York	New York	New York
1069	Larry Davis	67670 71st Ave	New York	New York	New York
1070	Mary Evans	68680 72nd Ave	New York	New York	New York
1071	Nathan Foster	69690 73rd Ave	New York	New York	New York
1072	Oliver Gibson	70700 74th Ave	New York	New York	New York
1073	Peggy Hall	71710 75th Ave	New York	New York	New York
1074	Quinn King	72720 76th Ave	New York	New York	New York
1075	Rachel Lee	73730 77th Ave	New York	New York	New York
1076	Samuel Miller	74740 78th Ave	New York	New York	New York
1077	Tina Moore	75750 79th Ave	New York	New York	New York
1078	Ulysses Taylor	76760 80th Ave	New York	New York	New York
1079	Viola Wilson	77770 81st Ave	New York	New York	New York
1080	Walter Young	78780 82nd Ave	New York	New York	New York
1081	Xenia Baker	79790 83rd Ave	New York	New York	New York
1082	Yusef Carter	80800 84th Ave	New York	New York	New York
1083	Zoe Davis	81810 85th Ave	New York	New York	New York
1084	Abraham Evans	82820 86th Ave	New York	New York	New York
1085	Betty Foster	83830 87th Ave	New York	New York	New York
1086	Carl Gibson	84840 88th Ave	New York	New York	New York
1087	Doris Hall	85850 89th Ave	New York	New York	New York
1088	Ernest King	86860 90th Ave	New York	New York	New York
1089	Fred Lee	87870 91st Ave	New York	New York	New York
1090	Gina Miller	88880 92nd Ave	New York	New York	New York
1091	Harry Moore	89890 93rd Ave	New York	New York	New York
1092	Iris Taylor	90900 94th Ave	New York	New York	New York
1093	Jack Wilson	91910 95th Ave	New York	New York	New York
1094	Karen Young	92920 96th Ave	New York	New York	New York
1095	Larry Baker	93930 97th Ave	New York	New York	New York
1096	Mary Carter	94940 98th Ave	New York	New York	New York
1097	Nathan Davis	95950 99th Ave	New York	New York	New York
1098	Oliver Evans	96960 100th Ave	New York	New York	New York
1099	Peggy Foster	97970 101st Ave	New York	New York	New York
1100	Quinn Gibson	98980 102nd Ave	New York	New York	New York

STATE OF NEW YORK
COUNTY OF NEW YORK

IN SENATE
January 10, 1900.

REPORT
OF THE
CLERK OF THE SUPREME COURT
FOR THE YEAR 1899.

ALBANY:
J. B. LIPPINCOTT & COMPANY, PRINTERS.
1900.

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 Shs'000	2016 Shs'000
12 INVENTORIES		
Sugar and molasses	11,129	90,076
Sugar in process	22,356	21,315
Raw materials	-	900
Consumables	460,994	424,695
	<u>494,479</u>	<u>536,986</u>
	=====	=====

The cost of inventories recognised as an expense during the year was Shs 1,146 million (2016: Shs 2,789 million).

	2017 Shs'000	2016 (restated) Shs'000
13 BIOLOGICAL ASSETS		
At the beginning of the year		
-as previously stated	470,207	520,893
-Prior year adjustment(note 29)	96,749	(21,319)
	<u>566,956</u>	<u>499,574</u>
As restated	566,956	499,574
(Loss)/gain arising from changes in fair value attributable to price changes	(224,235)	67,382
	<u>(224,235)</u>	<u>67,382</u>
Fair value (loss)/gain during the year	(224,235)	67,382
	<u>342,721</u>	<u>566,956</u>
At 30 June	342,721	566,956
	=====	=====
Maturing within 12 months	342,721	566,956
Maturing after 12 months	-	-
	<u>342,721</u>	<u>566,956</u>
	=====	=====

In terms of IAS 41: Agriculture, sugar cane growing crops, comprising standing cane, is accounted for as a biological asset and is measured and recognised at fair value. Changes in the fair value are included in profit or loss. The fair value of standing cane is determined by estimating the growth of the cane, the yield, sucrose content, selling prices less costs to harvest and transport as at 30 June 2017.

In determining the present value of expected net cash flows, the company has not discounted the cash flows as standing cane will mature within the next reporting period and therefore the impact of time value of money on estimated future cash flows is not significant.

The Company is exposed to financial risks arising from changes in cane prices. The Company does not anticipate that cane prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in cane prices. The Company reviews its outlook for cane prices regularly in considering the need for active financial risk management.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

2. Significant accounting policies

3. Revenue recognition

4. Property, plant and equipment

5. Intangible assets

6. Financial instruments

7. Provisions and contingencies

8. Income taxes

9. Earnings per share

10. Dividends

11. Related party transactions

12. Financial guarantees

13. Fair value measurements

14. Segment reporting

15. Subsequent events

16. Other disclosures

The financial statements have been prepared on a going concern basis.

The accounting policies have been applied consistently throughout the period.

The revenue is recognized when the performance obligation is satisfied.

Property, plant and equipment are measured at cost less accumulated depreciation.

Intangible assets are recognized if they are identifiable and separable.

Financial instruments are measured at fair value.

Provisions are recognized when a liability is incurred.

Income taxes are recognized based on the tax law.

Earnings per share are calculated based on the weighted average number of shares.

Dividends are paid to shareholders.

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 Shs'000	2016 Shs'000
14		
TRADE AND OTHER RECEIVABLES		
Trade receivables	26,317	58,676
Less provision for doubtful debts	(24,917)	(25,171)
Other receivables	1,400	33,505
Prepayments and deposits	40,929	29,028
Staff receivables	24,385	18,642
	73,966	61,958
	140,679	143,133
	=====	=====
15		
SHORT TERM DEPOSITS		
National Bank of Kenya Limited	2,450	19,045
Standard Chartered Bank of Kenya Limited	87,597	186
	90,047	19,231
	=====	=====
The effective interest rates was as follows:		
	2017 %	2016 %
National Bank of Kenya Limited	11	11
Standard Chartered Bank of Kenya Limited	9	9
	=====	=====
	2017	2016 (restated)
	Shs'000	Shs'000
16		
INVESTMENT PROPERTY		
At fair value:		
At beginning of year	230,000	-
Fair value gain	20,000	230,000
At end of year	250,000	230,000
	=====	=====
At cost basis	-	-
	=====	=====

Locations and details of the investment property are LR No 4857/64/Kileleshwa in Nairobi area.

Fair value measurement of the company's investment properties

Details of the company's investment properties and information about fair value hierarchy as at 30 June 2017 are as follows:

	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000	Total Sh'000
30-Jun-17				
Investment property	-	250,000	-	250,000
	=====	=====	=====	=====
30-Jun-16				
Investment property	-	230,000	-	230,000
	=====	=====	=====	=====

There were no transfers between level 1 and level 2 during the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2009	2008	
1,000,000	1,000,000	1,000,000
2,000,000	2,000,000	2,000,000
3,000,000	3,000,000	3,000,000
4,000,000	4,000,000	4,000,000
5,000,000	5,000,000	5,000,000
6,000,000	6,000,000	6,000,000
7,000,000	7,000,000	7,000,000
8,000,000	8,000,000	8,000,000
9,000,000	9,000,000	9,000,000
10,000,000	10,000,000	10,000,000
11,000,000	11,000,000	11,000,000
12,000,000	12,000,000	12,000,000
13,000,000	13,000,000	13,000,000
14,000,000	14,000,000	14,000,000
15,000,000	15,000,000	15,000,000
16,000,000	16,000,000	16,000,000
17,000,000	17,000,000	17,000,000
18,000,000	18,000,000	18,000,000
19,000,000	19,000,000	19,000,000
20,000,000	20,000,000	20,000,000
21,000,000	21,000,000	21,000,000
22,000,000	22,000,000	22,000,000
23,000,000	23,000,000	23,000,000
24,000,000	24,000,000	24,000,000
25,000,000	25,000,000	25,000,000
26,000,000	26,000,000	26,000,000
27,000,000	27,000,000	27,000,000
28,000,000	28,000,000	28,000,000
29,000,000	29,000,000	29,000,000
30,000,000	30,000,000	30,000,000
31,000,000	31,000,000	31,000,000
32,000,000	32,000,000	32,000,000
33,000,000	33,000,000	33,000,000
34,000,000	34,000,000	34,000,000
35,000,000	35,000,000	35,000,000
36,000,000	36,000,000	36,000,000
37,000,000	37,000,000	37,000,000
38,000,000	38,000,000	38,000,000
39,000,000	39,000,000	39,000,000
40,000,000	40,000,000	40,000,000
41,000,000	41,000,000	41,000,000
42,000,000	42,000,000	42,000,000
43,000,000	43,000,000	43,000,000
44,000,000	44,000,000	44,000,000
45,000,000	45,000,000	45,000,000
46,000,000	46,000,000	46,000,000
47,000,000	47,000,000	47,000,000
48,000,000	48,000,000	48,000,000
49,000,000	49,000,000	49,000,000
50,000,000	50,000,000	50,000,000

2009-2010

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2017	2016
17	SHARE CAPITAL		
	Authorised:		
	30,000,000 ordinary shares of Shs 20 each	600,000	600,000
		=====	=====
	Issued and fully paid:		
	27,150,000 ordinary shares of Shs 20 each	543,000	543,000
		=====	=====

18 DEFERRED INCOME TAXATION LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method using the current enacted tax rate of 30%.

	2017	2016
	Shs'000	(restated) Shs'000

The net deferred taxation liability is attributable to the following items:

Deferred taxation liabilities:

Accelerated capital allowances	1,719,603	1,323,120
Fair value adjustment - biological assets	102,816	170,086
Revaluation surpluses	2,545,575	2,712,281

Total liabilities	4,367,994	4,205,487
-------------------	-----------	-----------

Deferred taxation assets:

Provision for service gratuity	(73,184)	(97,069)
Provision for staff leave pay	(26,741)	(27,484)
Unrealised exchange losses	(17,214)	(6,908)
General doubtful debts provision	(268,633)	(249,850)
Provision for obsolete stock	(96,940)	(74,457)
Tax losses available for offset against future profits	(5,535,461)	(4,140,250)
Deferred tax assets not recognised	5,535,461	4,140,250

Total assets	(482,712)	(455,668)
--------------	-----------	-----------

Total	3,885,282	3,749,719
	=====	=====

The movement on the deferred taxation account during the year was as follows:

At 1 July as previously stated	3,387,721	3,464,990
Prior year adjustment (note 28)	361,998	(390,248)

As restated	3,749,719	3,074,742
Charged to other comprehensive income	-	-
Profit or loss charge (note 8(a))	135,563	674,977

At 30 June	3,885,282	3,749,719
	=====	=====

The deferred tax asset relating to tax losses carried forward has not been recognised in the financial statements because of the uncertainty regarding the company's ability to generate sufficient taxable profits that will allow the deferred tax asset to be recovered. The directors consider it prudent not to recognise any deferred tax asset until the profitability of the company can be predicted reliably.

NOTES TO THE REPORT OF THE DIRECTOR

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 RETIREMENT BENEFITS OBLIGATIONS

	2017 Shs'000	2016 Shs'000
(a) AMOUNTS DUE TO STAFF PROVIDENT FUND		
Balance at the beginning of the year	323,563	365,312
Interest charge	-	25,572
Paid during the year	(79,615)	(67,321)
	<hr/>	<hr/>
Balance at the end of the year	243,948 =====	323,563 =====

These are amounts payable to the Nzoia Sugar Company Staff Provident Fund and related to accrued retirement benefits and other gratuity benefits due to unionisable employees up to the reporting date.

Following a government directive, the gratuity arrangement due to unionisable staff members under the Collective Bargaining Agreement between the company and the Union, was terminated on 30 June 2013. Accrued member benefits as at this date were transferred to the provident fund. From 1 July 2013, the company's liability related to staff retirement benefits is limited to the amounts transferrable to the provident fund, and the company's monthly contributions to the provident fund on behalf of eligible members.

The company has however not transferred the retirement benefits amounts to the provident fund due to lack of funds. The unpaid amount due to the provident fund attracts interest at 7% per annum.

(b) DEFINED BENEFITS SCHEME (LIABILITY)/ASSET

The company also operated a contributory defined benefit scheme for qualifying non unionisable employees, with the company meeting the balance of the cost of providing the benefits under the scheme. The scheme was closed to new entrants and to future accrual of benefits with effect from 1 July 2007. The accrued (past service) benefits in respect of the scheme's in-service members at the closure date are revalued at 5% per annum over the period to retirement or earlier exit from service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Alexander Forbes Financial Services (EA) Limited. Normal retirement age for scheme members was assumed to be 60 years. The accrued liability in respect of pensioners was taken as the present value of the expected future pension payments.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Interest rate per annum
 Rate of revaluation of deferred benefits (per annum)
 Rate of pension increases per annum
 Retirement age (years)

	2017 Shs'000	2016 Shs'000
The credit recognised in profit or loss in respect of the scheme is as follows:		
Current service cost	3,582	4,287
Net interest on the net defined benefit asset	(1,062)	(4,103)
	<hr/>	<hr/>
Total included in staff costs in respect of scheme	2,520 =====	184 =====

By J. W. WOODRUM, Department of Entomology, University of California, Davis, California

(Manuscript received July 15, 1959; revised November 10, 1959)

The genus *Stenobothrus* is here defined as a monophyletic group of tephritid flies, the members of which are characterized by the following features:

- 1. Head with a distinct depression between the eyes.
- 2. Head with a distinct depression between the eyes.
- 3. Head with a distinct depression between the eyes.
- 4. Head with a distinct depression between the eyes.
- 5. Head with a distinct depression between the eyes.
- 6. Head with a distinct depression between the eyes.
- 7. Head with a distinct depression between the eyes.
- 8. Head with a distinct depression between the eyes.

The genus *Stenobothrus* is here defined as a monophyletic group of tephritid flies, the members of which are characterized by the following features:

- 1. Head with a distinct depression between the eyes.
- 2. Head with a distinct depression between the eyes.
- 3. Head with a distinct depression between the eyes.
- 4. Head with a distinct depression between the eyes.
- 5. Head with a distinct depression between the eyes.
- 6. Head with a distinct depression between the eyes.
- 7. Head with a distinct depression between the eyes.
- 8. Head with a distinct depression between the eyes.

The genus *Stenobothrus* is here defined as a monophyletic group of tephritid flies, the members of which are characterized by the following features:

- 1. Head with a distinct depression between the eyes.
- 2. Head with a distinct depression between the eyes.
- 3. Head with a distinct depression between the eyes.
- 4. Head with a distinct depression between the eyes.
- 5. Head with a distinct depression between the eyes.
- 6. Head with a distinct depression between the eyes.
- 7. Head with a distinct depression between the eyes.
- 8. Head with a distinct depression between the eyes.

The genus *Stenobothrus* is here defined as a monophyletic group of tephritid flies, the members of which are characterized by the following features:

- 1. Head with a distinct depression between the eyes.
- 2. Head with a distinct depression between the eyes.
- 3. Head with a distinct depression between the eyes.
- 4. Head with a distinct depression between the eyes.
- 5. Head with a distinct depression between the eyes.
- 6. Head with a distinct depression between the eyes.
- 7. Head with a distinct depression between the eyes.
- 8. Head with a distinct depression between the eyes.

The genus *Stenobothrus* is here defined as a monophyletic group of tephritid flies, the members of which are characterized by the following features:

- 1. Head with a distinct depression between the eyes.
- 2. Head with a distinct depression between the eyes.
- 3. Head with a distinct depression between the eyes.
- 4. Head with a distinct depression between the eyes.
- 5. Head with a distinct depression between the eyes.
- 6. Head with a distinct depression between the eyes.
- 7. Head with a distinct depression between the eyes.
- 8. Head with a distinct depression between the eyes.

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 RETIREMENT BENEFITS OBLIGATIONS (CONTINUED)

	2017 Shs'000	2016 Shs'000
(b) DEFINED BENEFITS SCHEME (LIABILITY)/ASSET(Continued)		
The credit recognised in other comprehensive income in respect of the scheme is as follows:		
Actuarial gains	4,567	(3,484)
Return on plan assets	12,770	55,415
Change in effect of asset ceiling	(10,564)	(28,251)
		<hr/>
Total charge to other comprehensive income	6,772	23,680
	=====	=====

The amount of scheme accrued liabilities over assets in respect of the defined benefit scheme is as follows:

	2017 Sh'000	2016 Sh'000
Value of accrued liabilities	(387,411)	(371,054)
Value placed on scheme assets	387,366	389,548
Change in effect of asset ceiling	-	(9,247)
		<hr/>
	(45)	9,247
	=====	=====

20 BORROWINGS

a) **Loans**

National Treasury	36,289,427	35,712,257
Agriculture and Food Authority	2,403,874	2,349,758
		<hr/>
	38,693,301	38,062,015
	=====	=====

The borrowings are repayable as follows:

On demand or within 1 year	38,460,285	37,619,974
After 1 year	233,016	442,041
		<hr/>
Total borrowings	38,693,301	38,062,015
	=====	=====

The company has defaulted on loan repayments and the entire loan amount is due for settlement on demand.

County of _____

Know all men by these presents

that _____

of the County of _____

State of Texas

do hereby certify

that _____

is the true and correct

copy of _____

as the same appears

from the records

of the _____

County of _____

State of Texas

this _____ day of _____

1954

at _____

County of _____

State of Texas

County Clerk

My commission expires _____

1954

County Clerk

My commission expires _____

1954

County Clerk

My commission expires _____

1954

County Clerk

My commission expires _____

1954

County Clerk

My commission expires _____

1954

County Clerk

My commission expires _____

1954

County Clerk

My commission expires _____

1954

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 Sh'000	2016 Sh'000
20	BORROWINGS (Continued)	
	b) Movement in loans	
	38,062,016	36,955,390
At beginning of year	589,622	880,745
Accrued interest	(8,362)	-
Interest repaid	56,662	52,543
Foreign exchange difference	-	200,000
Loans received	(6,637)	(26,663)
Loans repaid		
	<u>38,693,301</u>	<u>38,062,015</u>
At end of year		
	=====	=====
	This is made up of:	
Principal	12,544,135	10,534,257
Accrued interest	26,149,166	27,527,758
	<u>38,693,301</u>	<u>38,062,015</u>
	=====	=====
	c) Interest rates	
	2017	2016
	%	%
	The effective interest rates on the borrowings during the year were:	
The National Treasury	5.3	5.3
Agriculture and Food Authority	10.9	10.9
	=====	=====
	d) Details of securities for borrowings	
	The loans from The National Treasury and the Agriculture and Food Authority are unsecured.	
	These loans were advanced in tranches on diverse dates in the 1980's and have been long outstanding. The company has defaulted on repayment of both principal and interest in the past.	
	2017	2016
	Sh'000	Sh'000
21	TRADE AND OTHER PAYABLES	
	709,319	456,068
Trade payables	249,351	331,885
Due to out growers	1,882,824	1,398,466
Tax penalties	856,603	820,216
Sugar Development Levy	919,302	451,726
Accruals	779,124	433,928
Other payables		
	<u>5,396,524</u>	<u>3,892,289</u>
	=====	=====
22	PROVISION FOR STAFF LEAVE PAY	
	91,612	62,746
At the beginning of the year	42,434	42,434
Provision for the year	(44,909)	(13,568)
Paid in the year		
	<u>89,137</u>	<u>91,612</u>
At the end of the year	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF ACCOUNTING

The financial statements are prepared on the accrual basis of accounting.

2. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of estimates and assumptions.

3. RECEIVABLES

Accounts receivable are stated at net realizable value.

4. INVENTORY

Inventory is stated at the lower of cost or market.

5. DEPRECIATION

Depreciation is computed using the straight-line method.

6. DEFERRED EXPENSES

Deferred expenses are amortized over their useful lives.

7. DEFERRED REVENUES

Deferred revenues are recognized as earned.

8. CONTINGENCIES

Contingencies are disclosed when there is a reasonable possibility of loss.

9. RELATED PARTY TRANSACTIONS

There are no related party transactions.

10. EMPLOYEE BENEFIT PLANS

Employee benefit plans are disclosed in the notes to the financial statements.

11. FAIR VALUE MEASUREMENTS

Fair value measurements are disclosed in the notes to the financial statements.

12. REVENUE RECOGNITION

Revenue is recognized when it is earned and realizable.

13. INCOME TAXES

Income taxes are provided for in the financial statements.

Notes to the financial statements detailing accounting policies, estimates, and assumptions. The text is extremely faint and largely illegible due to the quality of the scan. It appears to contain standard disclosures for a governmental entity, including information on the basis of accounting, estimates, receivables, inventory, depreciation, deferred expenses and revenues, contingencies, related party transactions, employee benefit plans, fair value measurements, revenue recognition, and income taxes.

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 Sh'000	2016 Sh'000
23 CAPITAL COMMITMENTS		
Commitments at year-end for which no provision has been made in these financial statements:		
Authorised and contracted for	366,933	149,812
Authorised but not contracted for	630,622	780,392
	<u>997,555</u>	<u>930,204</u>
	=====	=====

The capital commitments relate primarily to expenditure on factory improvement. The company intends to fund these commitments through internally generated funds and loans.

	2017 Shs'000	2016 Shs'000
--	-----------------	-----------------

24 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of loss before taxation to cash generated from operations		
Loss before taxation	(2,781,820)	(2,541,686)
<i>Adjustments:</i>		
Finance income (note 5(a))	(8,950)	(10,461)
Finance costs (note 5(b))	589,622	884,081
Fair value gain on investment property	(20,000)	(230,000)
Depreciation (note 9)	688,934	742,945
Amortisation (note 10)	4,019	574
Loss on disposal of property, plant and equipment	4,824	-
Foreign exchange differences	53,929	52,543
Fair value loss/(gain) on biological assets (note 13)	224,235	(67,382)
	<u>(1,245,207)</u>	<u>(1,169,386)</u>
Cash used in operations before working capital changes		
<i>Movements in:</i>		
Out growers balances	(3,735)	60,285
Inventories	42,507	298,345
Trade and other receivables	2,453	(23,977)
Staff provident fund	(79,615)	(41,749)
Defined benefit obligation (note 24©)	9,202	184
Trade and other payables	1,504,235	1,264,394
Provision for staff leave pay	(2,475)	28,867
	<u>227,366</u>	<u>416,963</u>
	=====	=====
b) Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	2,364	116,239
Short term deposits (note 15)	90,047	19,231
	<u>92,411</u>	<u>135,470</u>
	=====	=====
c) Analysis of non- cash transactions:		
Change in defined benefit obligation	2,520	(23,864)
Credit in other comprehensive income	6,772	23,680
	<u>9,292</u>	<u>(184)</u>
	=====	=====
Amount included in the statement of cash flows (note 24(a))		

25 CONTINGENT LIABILITIES

Pending claims	81,800	81,800
Letters of credit	2,450	19,045
	<u>84,250</u>	<u>100,845</u>
	=====	=====

RE: [Illegible Title]

TO: [Illegible Name]

FROM: [Illegible Name]

SUBJECT: [Illegible Subject]

DATE: [Illegible Date]

CLASS: [Illegible Classification]

FILE: [Illegible File Number]

STATUS: [Illegible Status]

[Illegible body text paragraph 1]

[Illegible body text paragraph 2]

[Illegible body text paragraph 3]

[Illegible body text paragraph 4]

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 Shs'000	2016 Shs'000
26	RELATED PARTY BALANCES AND TRANSACTIONS	
4)	Key management compensation	
	The remuneration for key management during the year was as follows:	
	Salaries and other benefits	
	51,183	50,747
	=====	=====
b)	Directors' remuneration	
	Other emoluments	
	1,445	6,677
	Directors' expenses	
	39,804	38,971
	=====	=====

27 RISK MANAGEMENT POLICIES

Overview

The Company's activities expose it to a variety of financial risks, including credit risk, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Financial risk management is carried out by senior management under the supervision of the Board of Directors. Management in conjunction with various committees then identifies, evaluates and addresses risks accordingly. Management identify, evaluate and hedge financial risks as appropriate. The Board guidance on the overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

The Company has exposure to the following risks due to its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

The company does not enter into or trade in financial instruments, including derivative financial instruments, for either hedging or speculative purposes.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The company is exposed to this risk in several areas including trade and other receivables and cash and cash equivalents. However, the company's credit risk is concentrated mainly in advances issued to farmers in the form of farming inputs and in trade receivables in the form of sugar debtors. The company gives advances to farmers in the form of farming inputs to facilitate sugarcane crop establishment and to improve the productivity of the growing crop. Advances to farmers are eventually deducted from the value of the cane delivered upon harvesting. The key risk is therefore that the yield from the crop will not be sufficient to cover the advanced credit.

The company counters this risk by placing significant emphasis on the vetting and selection of farmers. This is done with the aid of comprehensive and documented criteria which includes a review of farmers' payment histories. The company also monitors budgeted sales outputs and expected factory crushing capacity and also forecasts of expected environmental conditions to aid it in budgeting for these advances. However the existence of favourable weather conditions will always remain outside the control of the company. Political upheavals and general unrest also pose a risk to the company usually resulting in the burning of immature cane. Burning of immature cane reduces the quality and the quantity of the yield from such cane in addition to raising production costs and waste. While an element of this risk is outside the company's control, it has however sought to mitigate this risk by enhancing security in its nucleus estates. The company does not purchase burnt cane from farmers in order to discourage irresponsible burning of immature cane by farmers in order to readily obtain quick cash.

UNIVERSITY OF MICHIGAN LIBRARY

The University of Michigan Library is pleased to announce the acquisition of a new collection of books on the history of the state of Michigan. The collection includes a comprehensive set of volumes on the state's early settlement, its economic development, and its political evolution. These books are available for loan to members of the library and are also available for purchase.

The collection is part of the University of Michigan Library's ongoing commitment to providing high-quality resources to its students and faculty. The books are available in both print and digital formats, and are accessible through the library's online catalog. For more information, please contact the library at 734-763-1000.

The University of Michigan Library is a member of the Association of Academic Health Libraries (AAHL) and is committed to providing high-quality resources to its students and faculty. The library is also a member of the Association of Research Libraries (ARL) and is committed to providing high-quality resources to its students and faculty.

The University of Michigan Library is a member of the Association of Academic Health Libraries (AAHL) and is committed to providing high-quality resources to its students and faculty. The library is also a member of the Association of Research Libraries (ARL) and is committed to providing high-quality resources to its students and faculty.

The University of Michigan Library is a member of the Association of Academic Health Libraries (AAHL) and is committed to providing high-quality resources to its students and faculty. The library is also a member of the Association of Research Libraries (ARL) and is committed to providing high-quality resources to its students and faculty.

The University of Michigan Library is a member of the Association of Academic Health Libraries (AAHL) and is committed to providing high-quality resources to its students and faculty. The library is also a member of the Association of Research Libraries (ARL) and is committed to providing high-quality resources to its students and faculty.

The University of Michigan Library is a member of the Association of Academic Health Libraries (AAHL) and is committed to providing high-quality resources to its students and faculty. The library is also a member of the Association of Research Libraries (ARL) and is committed to providing high-quality resources to its students and faculty.

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 RISK MANAGEMENT POLICIES (Continued)

Credit risk management (Continued)

The bulk of the company's revenue relates to sugar sales. The company has a documented credit policy whose management and implementation is overseen by a Credit Committee. The Committee manages limits and controls concentrations of credit risk wherever they are identified. It structures the levels of credit risk it undertakes by placing limits on the amount of risk acceptable in relation to a debtor or categories of debtors. Such risks are monitored on a regular basis and are subject to regular reviews. Exposure to credit risk is managed through regular analysis of the ability of credit customers to meet their obligations and by adjusting the limits appropriately. The credit risk on trade receivables is further mitigated by requiring most credit customers to provide guarantees issued by reputable banks recommended by the company.

In measuring credit risk relating to trade receivables, the company therefore reflects three components: The 'probability of default' by the customer or counterparty on its contractual obligations; current exposures to the counterpart and its likely future development, from which the company derive the 'exposure at default'; and the likely recovery ratio on the defaulted obligations. With regard to impairment of outstanding receivables, it is the company's policy to assess/review all debts over 60 days for impairment and to provide for all debts where a debtor is declared bankrupt or facing financial difficulties. In some cases where an unsecured customer is in arrears the whole amount is provided for.

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposure to credit risk represents a worst case scenario of credit risk exposure to the company at the end of the reporting period, without taking account of any collateral held or other credit enhancements attached. For reported financial assets, this exposure is based on net carrying amounts as reported in the statement of financial position.

Collateral

The collateral held for sugar debtors include guarantees from reputable banks recommended by the company. The credit risk on liquid funds is limited because the counterparties are commercial banks with high credit-ratings assigned by international credit-rating agencies. No collateral is held for advances to farmers.

The credit risk exposures are classified in three categories:

Neither past due nor impaired

The company classifies financial assets under this category for those exposures that are up to date and in line with contractual agreements.

Past due but not impaired

These relate to financial assets that have passed the contractual payment period but are expected to be recovered within reasonable timelines. These assets are not impaired and continue to be recovered with the active involvement of management. The collateral held for sugar debtors in this category includes guarantees from reputable banks recommended by the company.

Impaired

Impaired financial assets are those for which the company determines that it is probable that it will be unable to collect all payments due according to the contractual terms of the agreement(s). No collateral is held with respect to the debt, or the collateral doesn't sufficiently cover the exposure. On an ongoing basis, a credit evaluation is performed on the financial condition of accounts receivable.

STATE OF GUJARAT

IN THE MATTER OF THE STATE OF GUJARAT AND THE STATE OF RAJASTHAN

AND IN THE MATTER OF THE STATE OF GUJARAT AND THE STATE OF RAJASTHAN

AND IN THE MATTER OF THE STATE OF GUJARAT AND THE STATE OF RAJASTHAN

AND IN THE MATTER OF THE STATE OF GUJARAT AND THE STATE OF RAJASTHAN

AND IN THE MATTER OF THE STATE OF GUJARAT AND THE STATE OF RAJASTHAN

AND IN THE MATTER OF THE STATE OF GUJARAT AND THE STATE OF RAJASTHAN

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 RISK MANAGEMENT POLICIES (Continued)

Credit risk management (Continued)

Analysis of credit risk exposure

The amount that best represents the company's maximum exposure to credit risk at the reporting date is made up as follows:

	Neither past due nor impaired Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
30 June 2017				
Trade receivables	-	1,400	24,917	26,317
Due from outgrowers	-	23,115	359,274	382,390
Short term deposits	90,047	-	-	90,047
Bank balances	2,364	-	-	2,364
	92,411	24,515	384,191	501,117
30 June 2016				
Trade receivables	25,895	7,610	25,171	58,676
Due from outgrowers	-	19,380	363,808	383,188
Short term deposits	19,231	-	-	19,231
Bank balances	116,239	-	-	116,239
	161,365	26,990	388,979	577,334

Market risk management

Market risk is the risk arising from changes in market prices, such as interest rate and foreign exchange rates which will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the company's management under the supervision of the Board of Directors.

(i) Interest rate risk

Interest rate risk arises primarily from borrowings, fixed and collateral deposits, cash and cash equivalents. The company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios.

At 30 June 2017, an increase/decrease of 3 percentage points on interest rates would have resulted in a decrease/increase in pre-tax profit of Shs 17,688,000 (2016 – Shs 26,522,000).

(ii) Currency risk

The company undertakes certain transactions denominated in foreign currencies, mainly the US dollar and the Euro. This results in exposures to exchange rate fluctuations. The company however did not have balances denominated in foreign currency as at year end.

MEMORANDUM FOR THE RECORD

DATE: [illegible]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 RISK MANAGEMENT POLICIES (Continued)

Liquidity risk management

This is the risk that the company will encounter difficulties in meeting its financial commitments from its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging the company's reputation. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has developed and put in place an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In addition, all major capital investments are funded by a mixture of equity and long term debt.

The following table analyses the company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company may be required to pay. The tables include both interest and principal cash flows and exclude the impact of netting agreements.

	1 – 6 months Shs'000	6 – 12 Months Shs'000	Above 1 year Shs'000	Total Shs'000
At 30 June 2017				
Borrowings	-	38,460,285	233,016	38,693,301
Trade payables	709,319	-	-	709,319
Payables to outgrowers	249,351	-	-	249,351
	<u>958,670</u>	<u>38,460,285</u>	<u>233,016</u>	<u>39,651,971</u>
	=====	=====	=====	=====
At 30 June 2016				
Borrowings	-	37,619,974	442,041	38,062,015
Trade payables	456,068	-	-	456,068
Payables to outgrowers	381,885	-	-	381,885
	<u>837,953</u>	<u>37,619,974</u>	<u>442,041</u>	<u>38,899,968</u>
	=====	=====	=====	=====

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

MEMORANDUM FOR THE RECORD

DATE: 10/15/54

TO: SAC, NEW YORK

FROM: SA [Name], NEW YORK

SUBJECT: [Subject]

Reference is made to the report of SA [Name] dated 10/10/54, and the report of SA [Name] dated 10/12/54, both captioned as above.

It is noted that the above information was obtained from [Source].

It is recommended that the above information be placed in the file.

Very truly yours,

[Signature]

[Name]

[Title]

[Address]

[City]

[State]

[Zip]

[Phone]

[Fax]

[E-mail]

[Web]

[Social Media]

[Other]

[Comments]

[Attachments]

[References]

[Notes]

[Signatures]

[Distributions]

[Miscellaneous]

[Footer]

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 RISK MANAGEMENT POLICIES (Continued)

Liquidity risk management (Continued)

Fair value of financial assets and liabilities (Continued)

b) Financial instruments measured at fair value (Continued)

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

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

	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000	Total Sh'000
At 30 June 2017				
Non- financial assets				
Property, plant and equipment	-	12,069,771	-	12,069,771
Biological assets	-	342,720	-	342,720
Investment property	-	250,000	-	250,000
	=====	=====	=====	=====
At 30 June 2016				
Non- financial assets				
Property, plant and equipment	-	12,888,397	-	12,888,397
Biological assets	-	470,207	-	470,207
Investment property	-	230,000	-	230,000
	=====	=====	=====	=====

There were no transfers between levels 1, 2 and 3 during the year.

c) Financial instruments not measured at fair value

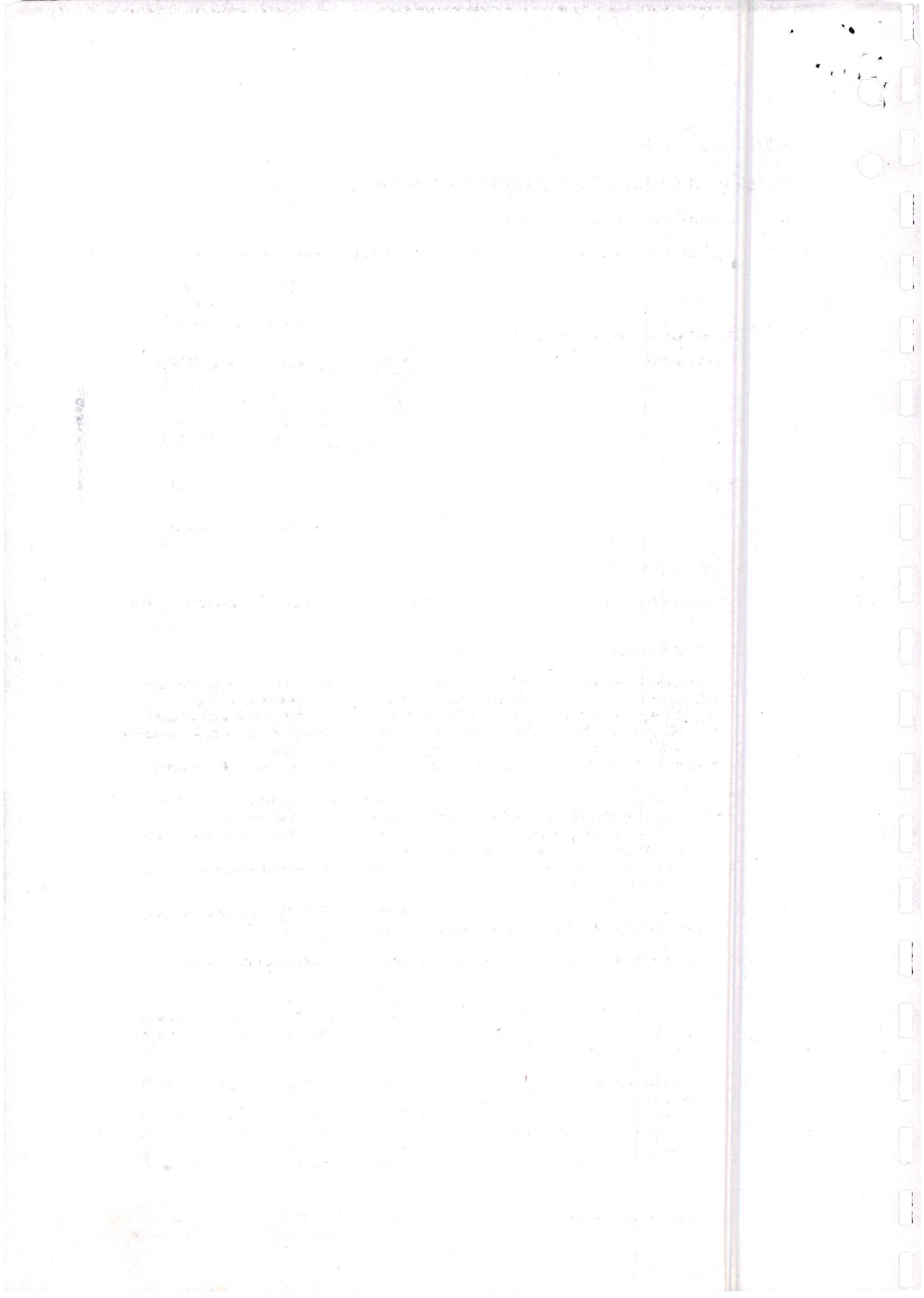
Disclosures of fair values of financial instruments not measured at fair value have not been made because the financial carrying amounts are a reasonable approximation of their fair values.

28 CAPITAL MANAGEMENT

The company's objectives when managing capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support business growth; and
- To safeguard the company's ability to continue as a going concern so that it can continue to provide adequate returns to its shareholders and value to all other stakeholders.

The capital structure of the company consists of debt, which includes the borrowings less cash and cash equivalents and equity attributable to equity holders, comprising issued capital, revaluation surplus and retained earnings. The Board of Directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. Based on the review, the company analyses and assesses the gearing ratio to determine the appropriate levels. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash and cash equivalents.



NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 CAPITAL MANAGEMENT (Continued)

There have been no material changes in the company's management of capital during the year.

	2017 Shs '000	2016 (restated) Shs '000
The gearing ratio at the year end was as follows:		
Shareholders' deficit	(41,066,785)	(31,755,577)
Borrowings (note 20)	38,693,301	38,062,015
Short term deposits (note 15)	90,047	(19,231)
Cash and bank balances	2,364	(116,239)
Net debt	38,785,712	37,926,544
Gearing ratio	Over 100%	Over 100%

29 PRIOR YEAR ADJUSTMENTS

- i) The company has adopted the valuation of investment property LR 4857/64/Kileleshwa as of 30 June 2016.
- ii) *IAS 16 Property, plant and equipment: Bearer Plants*

As a result of the amendments to IAS 16 Property, Plant & Equipment and IAS 41 Agriculture, the company has revised its accounting policy with respect to the treatment of cane roots. The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment. Bearer plants are measured using either the cost model or the revaluation model and not at fair value as previously measured.

Cane roots meet the definition of a bearer plant and has had the following impact on the company:

- Cane roots are no longer separately disclosed on the statement of financial position, rather has been included as a separate category within the property, plant and equipment note
- Cane roots are measured using the cost model and not at fair value, with the definition of replant costs aligned to that of the requirements of IAS 16
- The cost of replanting fields is no longer recognised in profit or loss, however is capitalised to property, plant and equipment.

As a result, in compiling the financial information included herein, the following adjustments were made to the financial statements for the year ended 30 June 2016:

a) Restatement of audited statement of profit or loss and other comprehensive income

	As previously reported Shs'000	Prior year adjustment Shs'000	Notes	Restated Shs'000
For the year ended 30 June 2016				
Fair value gain on biological assets	135,542	(68,160)	(i)	67,382
Depreciation on Plant, property and equipment	(737,372)	(5,573)	(ii)	(742,945)
Fair value gain on investment property	-	230,000	(iii)	230,000
Cost of sales	(3,908,834)	192,773	(iv)	(3,716,061)
Deferred taxation charge	(312,979)	(361,998)	(v)	(674,977)
Effect of restatements	(4,823,643)	(21,958)		(8,845,601)

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 PRIOR YEAR ADJUSTMENTS (Continued)

a) Restatement of audited statement of profit or loss and other comprehensive income (Continued)

	As previously reported Shs'000	Prior year adjustment Shs'000	Notes	Restated Shs'000
For the year ended 30 June 2015				
Revaluation surplus	6,526,169	(1,300,826)	(vi)	5,225,343
Deferred tax on revaluation surplus	(1,957,851)	390,248	(v)	(1,567,603)
		(910,578)		=====
Effect on revaluation surplus	7,571,515	(910,578)	(vi)	6,660,937
	=====	=====		=====

b) Restatement of audited statement of financial position

	As previously reported Shs'000	Prior year adjustment Shs'000	Notes	Restated Shs'000
As at 30 June 2016				
Non-current assets				
Property, plant and equipment	12,685,788	22,291	(ii)	12,708,079
Biological assets	327,459	(327,459)	(i)	-
Investment property	-	230,000	(iii)	230,000
Current Assets				
Biological assets	142,748	424,208	(i)	566,956
Non current liabilities				
Deferred income taxation liability	(3,387,721)	(361,998)	(v)	(3,749,719)
Effect of restatement		(12,958)		=====
As at 30 June 2015				
Assets				
Property, plant and equipment	14,206,331	(1,300,826)	(vii)	12,905,505
Liabilities				
Deferred tax	(3,464,990)	390,248	(v)	(3,074,742)
Effect on revaluation surplus		(910,578)	(vi)	=====

- (i) Relates to the effect on biological assets on reclassification of the cane bearer plant to Plant, property and equipment in the statement of profit or loss and other comprehensive income and the statement of financial position (Note 13)

Faint, illegible text, possibly bleed-through from the reverse side of the page. The text is arranged in several paragraphs, but the characters are too light and blurry to transcribe accurately.



NZOIA SUGAR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 PRIOR YEAR ADJUSTMENTS (Continued)

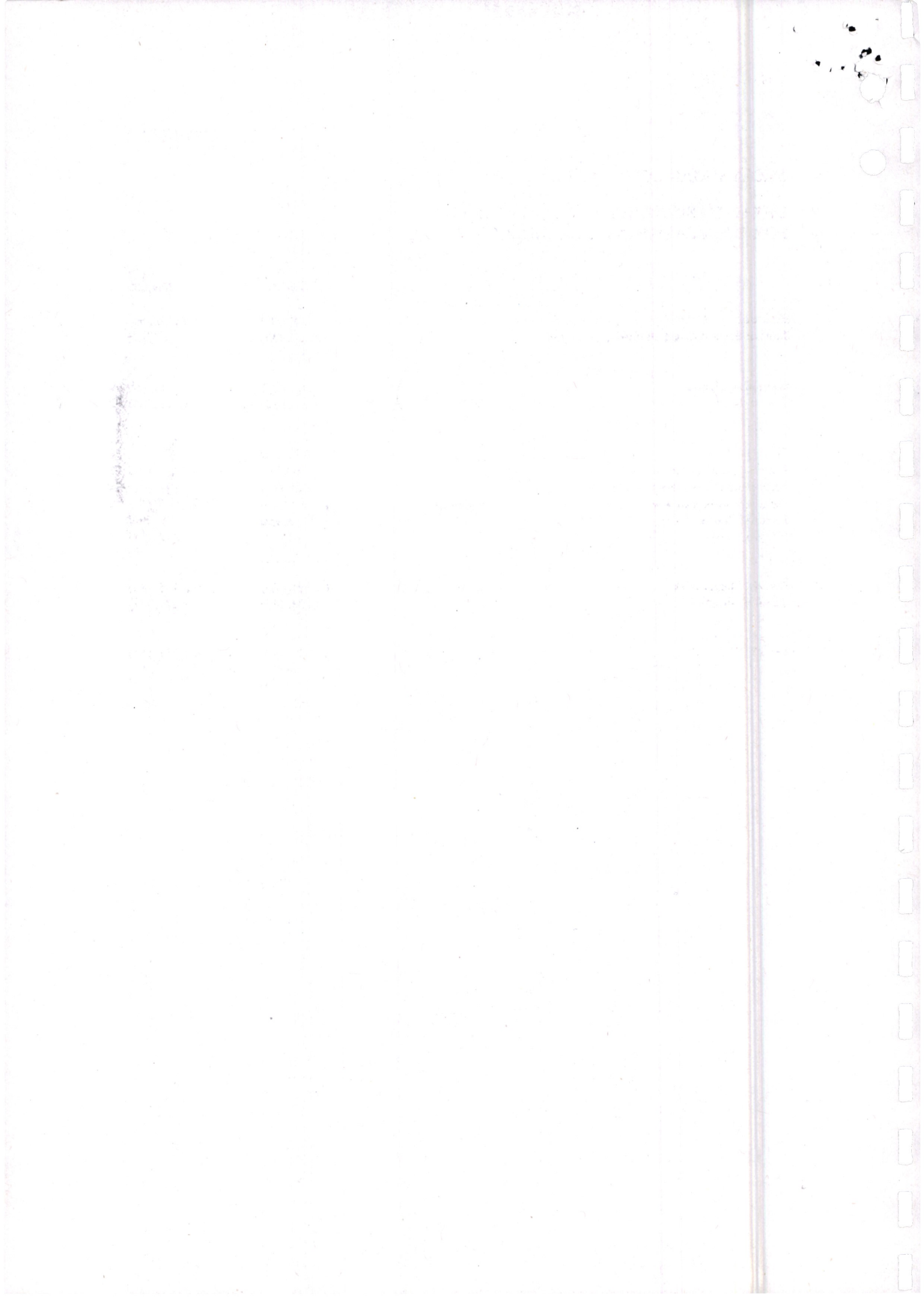
- (ii) Relates to the effect on Plant, property and equipment on reclassification of the cane bearer plant from biological assets in the statement of profit or loss and other comprehensive income and the statement of financial position (Note 9)
- (iii) Relates to the effect on investment property on the recognition of the adjusted revalued amounts in the statement of financial position (Note 17)
- (iv) Relates to adjustment to recognise expenses capitalised as part of biological assets additions and write-back of the value of harvested cane from the company's nucleus estate.
- (v) Relates to the effect on deferred tax on the recognition of adjusted revalued amounts in the statement of profit or loss and other comprehensive income and the statement of financial position (Note 18)
- (vi) Relates to the effect on revaluation surplus on the recognition of the adjusted revalued amounts in the statement of profit or loss and other comprehensive income
- (vii) Relates to the effect on property, plant and equipment on the recognition of the adjusted revalued amounts in the statement of financial position (Note 9)

30 INCORPORATION

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

31 CURRENCY

These financial statements are prepared in thousands of Kenya Shillings (Shs '000), the company's functional currency.



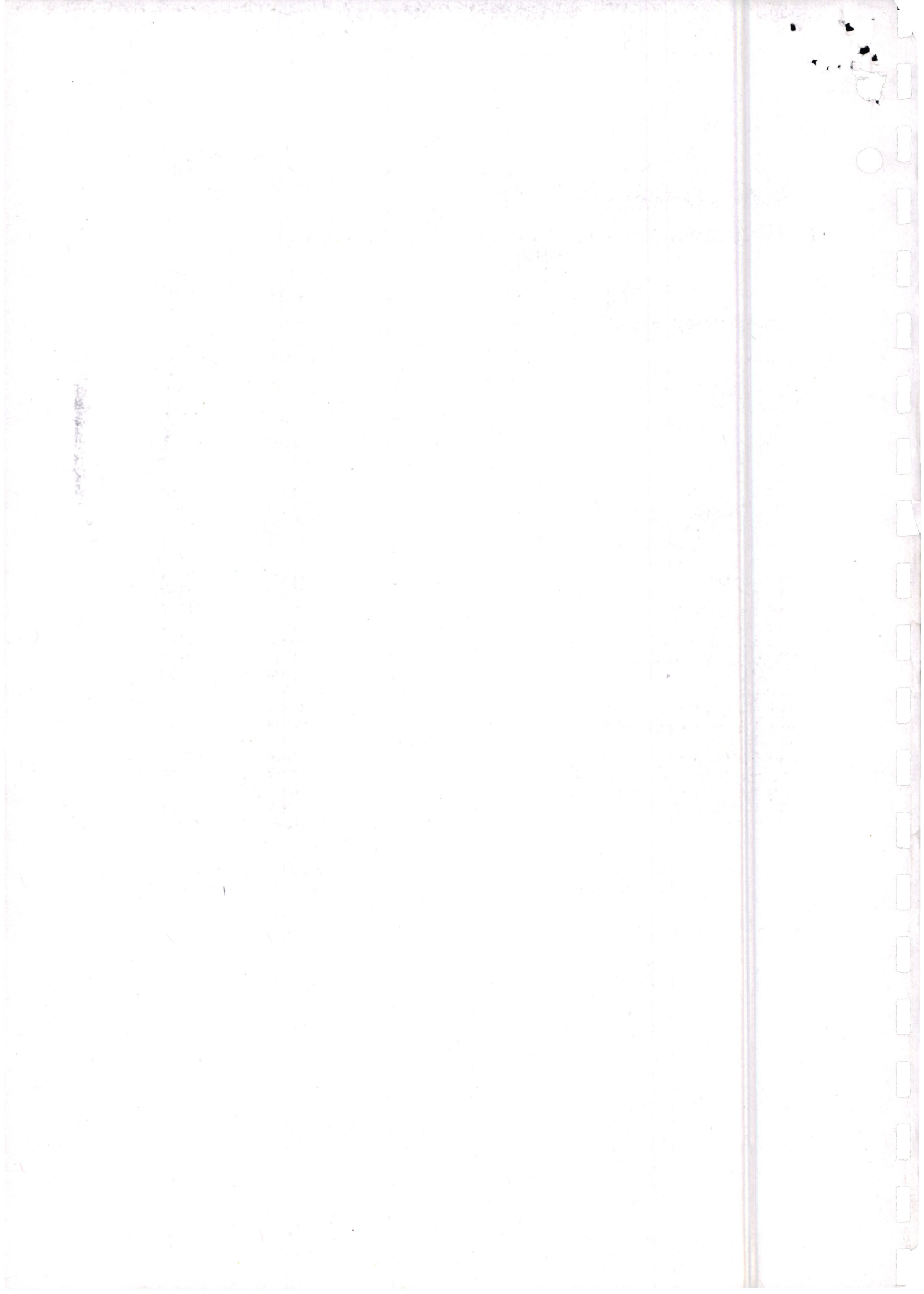
APPENDIX I

NZOIA SUGAR COMPANY LIMITED

DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 Shs'000	2016 Shs'000
Revenue	4,356,786	4,232,484
Fair value gain/(loss) on biological assets	(224,235)	67,382
	<hr/>	<hr/>
Operating income	4,132,551	4,299,866
Cost of sales	(3,905,252)	(3,716,061)
	<hr/>	<hr/>
Gross profit	227,299	583,805
Other operating income	68,112	285,669
Marketing and distribution costs	(32,514)	(25,203)
Administrative expenses	(2,464,044)	(2,512,337)
Finance income	8,950	10,461
Finance costs	(589,622)	(884,081)
	<hr/>	<hr/>
Loss before taxation	(2,781,820)	(2,541,686)
Taxation charge	(138,248)	(675,727)
	<hr/>	<hr/>
Loss for the year	(2,920,068)	(3,217,413)

Appendix II



APPENDIX II

NZOIA SUGAR COMPANY LIMITED

DETAILED STATEMENT OF PROFIT OR LOSS (CONTINUED)

	2017 Shs'000	2016 Shs'000
ADMINISTRATIVE EXPENSES		
Staff costs	1,045,006	1,030,939
Other costs	62,012	88,286
Performance bonus		8,977
Legal and professional fees	47,221	57,892
Corporate social responsibility	4,758	7,694
Depreciation	62,297	53,474
Medical services	45,317	53,731
Travelling	60,346	62,815
Security	10,577	3,980
Publications and listing	202	1,027
Directors' emoluments	1,445	6,677
Amortisation of intangible assets	4,019	574
Repairs and maintenance	36,843	17,052
Rent and rates	28,151	17,776
Insurance	83,648	82,887
Cane safety expense	8,398	11,847
Bank charges	3,594	4,332
Contracted services	40,516	44,416
Telephones and communications	4,048	2,958
Audit fees	7,345	6,296
Stationery	10,998	12,544
Bad and doubtful debts	101,649	14,723
Inventory obsolescence provision	74,948	126,420
Donations	414	833
Fuel and lubricants	79,416	65,628
Motor vehicle running	65,787	77,666
Loss on disposal of fixed assets	4,824	-
Foreign exchange differences	53,929	52,543
Tax penalties	512,816	598,351
	<u>2,464,044</u>	<u>2,512,337</u>
	=====	=====

