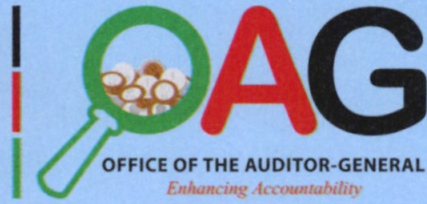
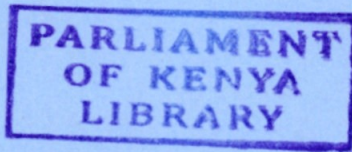


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

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

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

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





(IN RECEIVERSHIP)



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

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2025

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CORPORATE INFORMATION

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

Muhoroni Sugar Company is currently owned by the Government of Kenya (82.78%), UKETA Limited (16.86%) and Private Shareholders (0.36%). The Company was put under receivership in 2001 by Kenya Sugar Board and NBK; the latter was paid off leaving Kenya Sugar Board. Upon execution of the Receivership order, the Board of Directors was suspended and Joint Receiver/Managers were appointed to take control of the company.

RECEIVERS/ MANAGERS' REGIMES: -

There have been four receivership regimes since March 2001 to date: -

- 1) March 2001 – August 2005 : Mr. Jack Ranguma & Mr. Ndungu Gathinji
- 2) August 2005 – Dec 2012: Eng. Martin Owiti & Mr. K.A.K Bett
- 3) December 2012 - June 2018: Mr. Asa Okoth & Mr. Thomas N. Makeni/Fredrick Kebenei (Mr. Makeni was recalled on 9th September 2014 and replaced by Mr. Fredrick Kebenei)
- 4) June 2018 – To Date: Mr. Harun Kirui & Mr. Francis Ooko (Mr. Ooko was recalled on 22nd May 2023)

OUR VISION

“To be the most efficient and competitive producer of quality sugar and related products”

OUR MISSION

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

OUR MANDATE: -

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

CORE VALUES

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

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

Principal activities

The principal activities of Muhoroni Sugar Company Ltd are: -

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

SENIOR MANAGEMENT

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

Joint Receiver & Manager	Mr. Harun Kirui
Ag. General Manager	Mr. Vitalis Oduor
Ag. Factory Manager	Mr. Wislon Ochieng
Ag. Human Resource Manager	Ms. Seline Chepkorir
Ag. Quality Assurance Manager	Ms. Mary Jalala
Ag. Finance and Administration Manager	CPA. Joseph Alai
Agriculture Manager	Mr. Paul Omondi
ICT Manager	Mr. Gideon Biretch
Internal Auditor	CPA. Irene Abeti
. Ag. Sales & Marketing Manager	Ms. Eveline Ruto
. Procurement Manager	Mr. James Orori
. Planning Manager	George W. Onyango

CORPORATE INFORMATION

REGISTERED OFFICE

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

CONTACTS

Tel GSM: 0734151474; 0728609809
(+254)0202333559
Fax: (+254)0202333570
e-mail: info@muhoronisugar.go.ke
website: www.muhoronisugar.go.ke

PRINCIPAL AUDITORS

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

BANKERS

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

Standard Chartered Bank
Kisumu Branch
P O Box 354
Kisumu.





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






ADVOCATES

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

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

SENIOR MANAGEMENT

<p>Mr. HARUN KIRUI (JOINT RECEIVER MANAGER)</p> 	<p style="text-align: center;">&</p> <p>Mr. Harun Kirui is the joint receiver & manager of Muhoroni Sugar Co. Ltd (In Receivership). He was seconded from Agriculture and Food Authority. He holds a Bachelor's degree in Commerce and a CPAK. He has been the Joint Receiver Manager from May 2018.</p>
<p>2. Mr. Vitalis Oduor (GENERAL MANAGER)</p> 	<p>Mr. Vitalis Oduor is the Acting General Manager. He holds a Bachelor of Science Chemistry. Mr. Oduor is an experienced sugar technologist who has served both as the EHS Manager and the production manager. He is an ISO Lead Auditor. He has 34 years' experience.</p>
<p>3. MS. SELINE CHEPKORIR (HEAD OF HUMAN RESOURCES)</p> 	<p>Ms. Seline Chepkorir is the Acting Head Of Human Resources Department. She has a Bachelor degree of Business Administration & Management (Human Resource); Diploma in Human Resource Management. She has 26 years of experience in the sugar Industry.</p>
<p>4. CPA. JOSEPH ALAI (HEAD OF FINANCE DEPARTMENT)</p> 	<p>CPA. Joseph Alai is the Acting Head of Finance Department. He holds an Executive Master of Business Administration, Bachelor of Business Administration from and a CPAK. He has served for 31 years.</p>

<p>5. Mr. Paul Omondi (HEAD OF AGRICULTURE DEPARTMENT)</p> 	<p>Mr. Paul Omondi is the Head of Agriculture Department. He holds a Bachelor of Science Degree in Agriculture, Master's degree in Botany and Post graduate certificate in Agriculture. He has 28 years' experience.</p>
<p>CPA. Irene Aura (INTERNAL AUDIT)</p> 	<p>CPA. Irene Aura is the Internal Auditor. She has a Bachelor of Commerce (Accounting Option) and a CPAK. She has 15 years of experience in the sugar Industry.</p>
<p>7. Mr. Wilson Ochieng (AG. FACTORY MANAGER)</p> 	<p>Mr. Wilson Ochieng is the Acting Head of factory department. He holds a Higher Diploma in Mechanical Engineering. Mr. Ochieng has served both as the Engineering Manager and the Boilers & Maintenance Engineer. He has 32 years' experience.</p>
<p>8. Ms. Eveline Ruto (SALES & MARKETING MANAGER)</p> 	<p>Ms. Ms. Eveline Ruto is The Sales & Marketing Manager. She has a Bachelor degree of Business Administration, Diploma Business Management. She has 30 years of experience in the sugar Industry.</p>
<p>9. Mr. James Orori (PROCUREMENT MANAGER)</p> 	<p>Mr. James Orori is the Procurement Manager. He holds a Master of Business Administration, Bachelor of Business Administration (Supply Chain Management), Diploma in Business Administration. He has 34 years' experience.</p>

JOINT RECIEVER MANAGER'S STATEMENT

Mandate of Joint Receivers & Managers

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

1. Take over and protect all assets and liabilities of the Companies,
2. Establish and confirm the Company's indebtedness,
3. Develop and implement a sustainable business plan
4. Manage the affairs of the Company in manner beneficial to the Debenture Holders,

In line with the Government of Kenya's efforts to revitalize the sugar sub-sector, the Company has been leased to Kipchimchim Group, a private investor, for a period of thirty (30) years. The formal handover was effected on 10th May 2025. To facilitate a smooth transition, the Ministry of Agriculture and Livestock Development has constituted a Leasing Transition Committee mandated to address matters relating to assets, liabilities, employees, and other critical issues. The transition period is one

Financial Performance

I am pleased to present the Annual and Financial Report detailing the Company's business operations and financial performance for the year ending 30 June, 2025. The TC/TS for the review period was 16.87, compared to 16.45 in the previous financial year. The factory processed a total of 221,645 tons of cane, down from 234,000 tons last year. Average sugar prices were 102,401 per ton, a decline from 127,354 per ton in the prior year.

Total turnover for the period under review was Kes.1.18 Billion net of taxes (FY 2023/24 – 1.65 Billion). The sales were below target due to low production volumes, frequent factory breakdowns and occasional lack of adequate cane in the yard for milling. Prices of sugar averaged Kes.102,402.10 net of taxes per ton (2023/2024-Kes.127,353.71).

The Company continues to report weak performance, recording a net loss of Ksh.45.2 million compared to a net loss of Ksh.143.9 million during the same period last year. This underperformance is largely attributable to inadequate factory maintenance, insufficient cane supply, and high production costs. However, a turnaround is anticipated following the leasing arrangement, as the new lessee is expected to inject capital towards factory modernization and sustainable cane development.

Sugar Overview

Local Sugar Market

a. Sugar

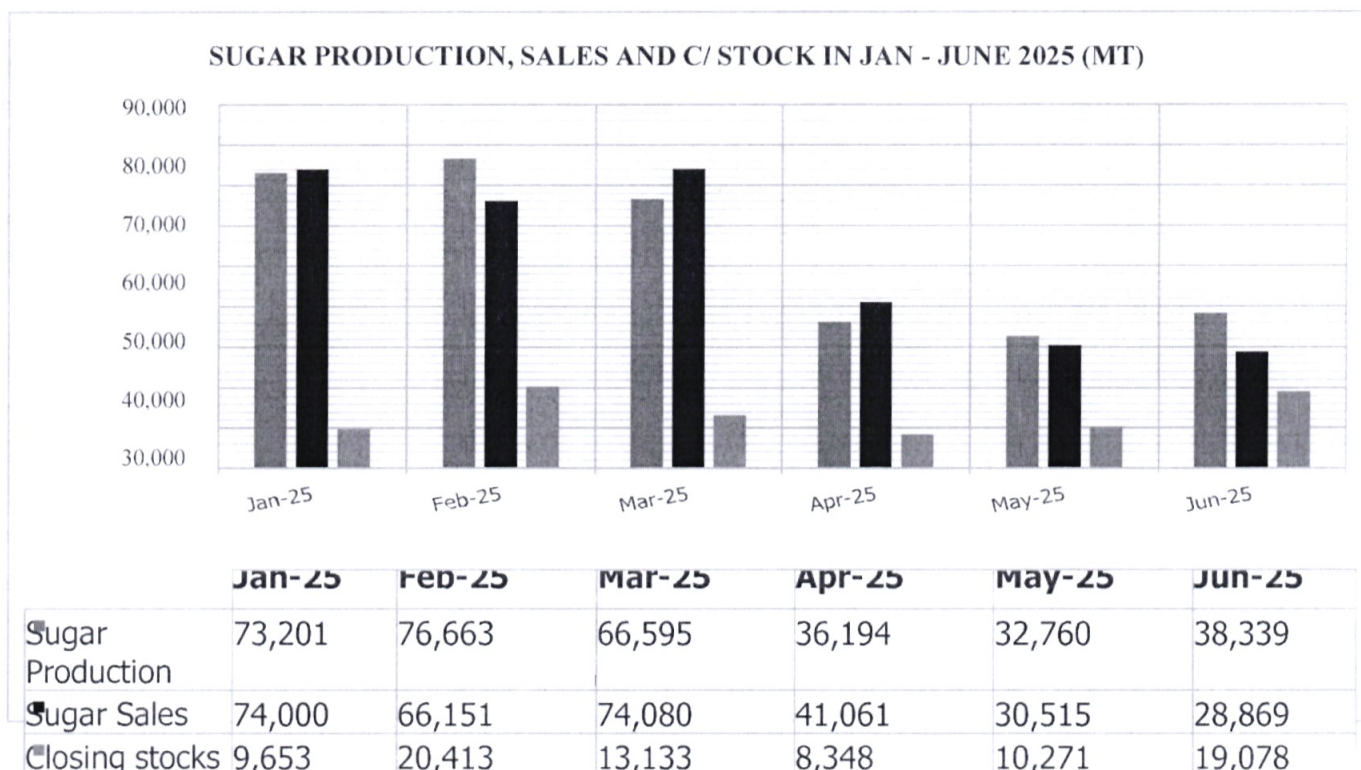
Total sugarcane milled in June 2025 increased by 25% to 477,439 MT from 383,050 MT in May and 398,908 MT in April 2025. The improvement was recorded in most of the operational Sugar Mills, except in West Kenya, Butali, Transmara and Busia.

During the review period, KISCOL, Naitiri, Chemelil, Nzoia and Muhoroni remained closed. Sugar made increased by 18% to 38,635 MT from 32,838 MT in May and 35,813 MT in April 2025. The industry average cane to sugar ratio (TC/TS) deteriorated to 12.36 in June from 11.66 in May 2025.

Cumulative sugarcane milled in the period January to June 2025 totalled 3,617,460 MT, down 21% from 4,573,713 MT recorded the same period last year. Total sugar production (bagged) in June increased by 17% to 38,339 MT from 32,760 MT in May 2025.

Cumulative sugar production from January to June 2025 totalled 323,752 MT, down 15% from the 384,446 MT produced in the same period last year. Sugar sales by millers decreased by 5% in June 2025, reaching 28,869 MT, down from 30,515 MT in May 2025. The review period ended with sugar closing stocks of 19,078 MT, up 86% from 10,271 MT in May 2025 and 8,348 MT in April 2025.

Source: KSB Sugar Market Newsletter June 2025



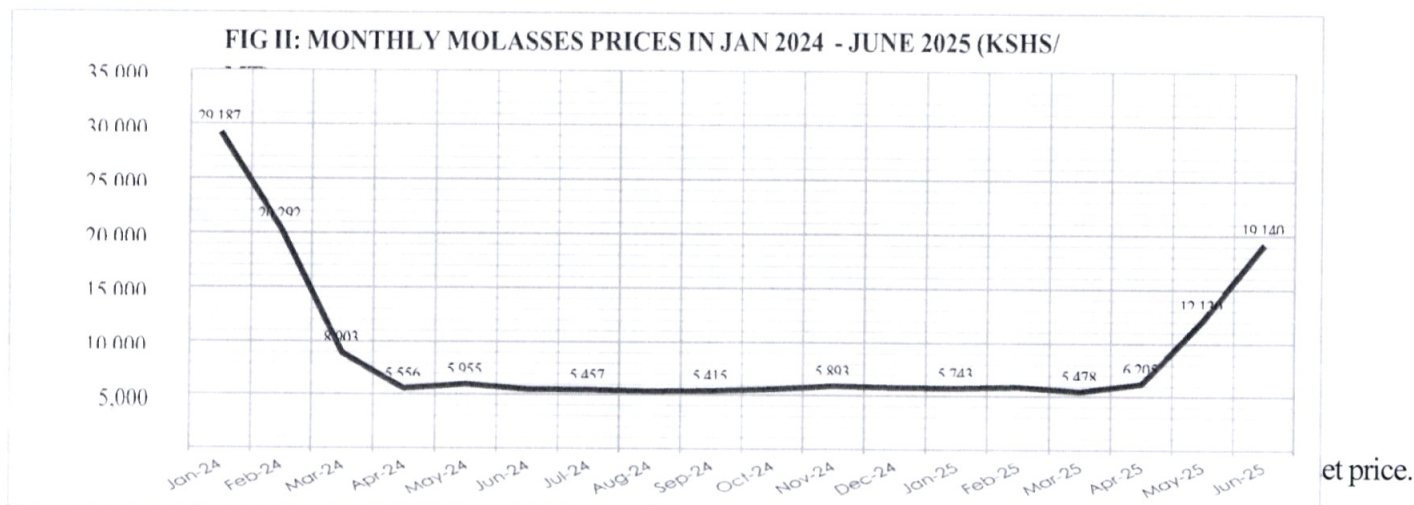
b. MOLASSES

In June 2025, molasses production increased by 25% to 17,358 MT from 13,893 MT in May and 16,285 MT in April 2025. Cumulatively, molasses produced from January to June 2025, increased by 25% to 139,823 MT from 185,287 MT in the same period last year.

Molasses sales similarly increased by 48% to 16,342 MT from 11,078 MT in May 2025 and from 27,968 MT in April 2025.

Total closing stocks of molasses as at the end of June 2025 were 9,693 MT down 32% from 14,152 MT in May 2025.

Due to reduced milling operations over the last four months, molasses prices have surged. In June 2025, molasses prices ranged between Kshs. 15,000 and 20,500 per tonne, with a mean price of Kshs. 19,140 per tonne, up from Kshs. 12,130 per tonne the previous month. More details on molasses prices are given in Figure II overleaf.



The last revision was done by the Interim Sugarcane Pricing Committee on 26th May 2025.

III: LOCAL SUGAR MARKET

a. Ex-Factory Sugar Prices

The weighted ex-factory sugar price for June 2025 dropped by 3% to Kshs. 7,147 from Kshs. 7,381 per 50 kg bag in May and Kshs. 6,791 per 50 kg bag in April 2025.

During the review period, ex-factory sugar prices showed a steady downward trend. The average daily price on 1st June was Kshs. 7,733 per 50kg bag, dropping steadily to end the month at Kshs. 6,744 per 50kg bag.

Overall, the ex-factory prices during the month ranged between Kshs. 6,600 and Kshs. 7,800 per 50kg bag.

IV: FOREIGN TRADE

a. Sugar Exports

In June 2025, total sugar exports were 22.11 MT, up from 7.81 MT in May 2025 and 2.15 MT in April 2025. Kenya is a net sugar deficit country, and most of its production is consumed locally. For more details, refer to Table VIII.

b. Molasses Exports/Import

In the period March - May 2025, Kenya did not export molasses. In February 2025, the exports were 1,472

MT, 33% up from 1,110 MT exported in January 2025. In February, 88% of the molasses exports were destined for Uganda and Tanzania. The average FOB value for February 2025 was Ksh 10,737 per tonne, down from Ksh 11,531 per tonne in January 2025.

In June 2025, total molasses imports were 499.4 MT, compared to 334.43 MT in May 2025. All imports were sourced from Uganda. The CIF value for molasses imported in June was Kshs. 7,425 per tonne.

c. Sugar Imports

In June 2025, sugar imports totaled 38,371 MT, 28% down from 53,447 MT in May 2025. The imports comprised 28,612 MT of Mill White/Brown sugar and 9,759 MT of White Refined sugar. COMESA FTA countries supplied 6,661 MT, and COMESA non-FTA 1,000 MT. From the EAC,

20,731 MT was imported, from Uganda and Tanzania. The remaining 9,979 MT was sourced from non-COMESA countries.

In June 2025, Mill White/Brown sugar was imported from Tanzania, Uganda, Zimbabwe, Eswatini, Brazil and Malawi while White Refined Sugar was mainly sourced from Saudi Arabia, Mauritius and Thailand. Saudi Arabia supplied 42% of the total White Refined sugar imports, while Tanzania accounted for 45% of the Mill White/Brown sugar imports.

V: WORLD SUGAR MARKET

a) The Market in June 2025

Global raw sugar prices trended lower in June. Meanwhile, the white sugar market outperformed the bigger raw sugar market.

The ISO's May Quarterly Market Outlook projected a 5.466 mln tonne deficit for the 2024/25 season (ending in September) followed by a modest surplus in 2025/26. However, recent production data suggests the current deficit may be widening further. Brazil's Centre-South region reported unexpectedly low production in the first half of June, while hot weather across has deteriorated beet sugar prospects in the EU and other European countries.

The average ISA Daily Raw Sugar Price in June fell to USD16.74 cents, down from 17.69 cents/lb in May. This decline of USD 0.94 cents/lb since last month is the largest since January 2025.

The ISO White Sugar Index averaged USD468.57/tonne in June 2025, down USD18.58/tonne on the previous month and down over USD62.80/tonne in the last four months. This extends the 45-month low reported last

month.

The Nominal White Sugar Premium (the difference between the ISO White Sugar Index and the ISA Daily Price), averaged USD99.05/tonne in June.

Source: ISO- Market Report, June 2025

SUSTAINABILITY STRATEGY

To promote long-term sustainability, the Government of Kenya has leased the four State-owned sugar mills, including Muhoroni Sugar Company Limited (In Receivership). This initiative is expected to revitalize the Company's performance through capital injection for factory modernization and maintenance, product diversification, and enhanced cane development. In addition, the enactment of the Sugar Act, together with the supporting regulations, is anticipated to further strengthen the industry by, among other measures, improving farmers' access to financing for cane development.



.....
Harun Kirui
Joint Receiver & Manager

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

The Joint Receivers & Managers, fully aware of their responsibility to protect the Company's assets and ensure a path to profitability, reaffirm their dedication to policies and strategies that promote transparency and accountability. The Company is committed to upholding the highest standards of integrity, professionalism, and business ethics in all its operations. Additionally, it has a human resources manual that governs HR matters in accordance with applicable laws.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS AGRICULTURE DEPARTMENT

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

A summary of the achievements for the 12 months ending 30th June, 2025 were as follows:

Table 1: Agriculture Department Key Operational Indicators

PERFORMANCE PARAMETERS	ACTUAL 12 MONTHS 2024/25			TARGET 12 MONTHS 2024/25			VARIANCE
	OG	N/E	TOTAL	OG	N/E	TOTAL	
Area under cane (ha)	9,914.82	1,142.79	11,057.61	13,915.59	1,433.20	15,348.79	(4,291.18)
Cane Planting (ha)	570.26	118.20	688.46	622.48	474.93	1,097.41	(408.95)
Cane supply (Tons)	179,095.07	41,533.91	220,628.98	383,517	40,000	423,517	(202,888.02)
Mean Cane yields (TCH)	56.76	47.96		60	70		

1. Area Under Cane:

The total area cultivated with cane is 431.14 hectares, which falls short of the target due to reduced planting caused by insufficient funding for cane development in both the Nucleus Estate and outgrower regions, largely due to accumulated arrears owed to farmers.

2. Cane Planting:

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

3. Cane Supply

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

4. Cane yield

The overall target yield of 60.00 tons per hectare was not met due to the harvesting of poorly maintained cane crops. To realize the full potential of the Department's output, the following actions are recommended: Allocate adequate resources for cane development and maintenance in the Nucleus Estate; Facilitate cane development through financing to cultivate all fallow land; Strategically promote the adoption of new early-maturing cane varieties; Invest in infrastructural improvements to enhance overall farm linkages; and ensure prompt payment to farmers.

FACTORY & QUALITY ASSURANCE DEPARTMENTS

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

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

1.1. Factory Target operating Indices:

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

1.2. Factory Equipment detail:

1. Weighbridge: 2 weighbridge platforms of Max load capacity 100MT.
2. Cane Yard: Bays holding capacity 2500MT; Has 3 Electric Overhead Travelling (EOT) cranes of average 10MT capacity each;
3. Pre-Milling: 2 sets of knives with 48 and 56-arm hubs; Prime movers – 315KW electric motors
4. Mills: 6-mill Tandem (operating 5 mills, one mill by-passed); conventional 3—roller mill; Mill 1 (1999), roller size 36*72; Mills 2 – 5(1966/70): roller size 30*60-in; prime mover Steam turbines.
5. Boilers: 2 operating Boilers, 40TPH capacity each, 27Bar operating pressure, 370oC dry steam temperature.
6. Power generation: 1 no 3MW Turbo Alternator (TRIVENI) installed 2010 - operating; 1.5MW TA(STORK) stand-by, installed in 1978)*, 2 nos obsolete TA 1&2 – installed 1966; Back-up Diesel generator 1000KVA
7. Process-house: - Single liming and heating juice processing system used; all processing equipment capable of handling up to 2500 TCD milling through-put, sugar packaging equipment and necessary utilities.

1.3. Quality Assurance and Control System

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

Finished Products:

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

Improvement Needs –

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

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

A) PERFORMANCE 1ST JULY 2024 TO 30TH JUNE 2025

Parameter	Actual	Target	Variance
Cane Milled (Tons)	221,645	423,517	(201,872)
Sugar Bagged (Tons)	13,086	32,018	(18,932)
TC/TS	16.87	13.23	(3.64)
Capacity Utilization (%)	49.63	75.00	(25.37)
Factory Time Efficiency	61.61	68.21	(6.60)
Pol in Cane (%)	10.50	11.68	(1.18)

- i. Cane milled and sugar bagged total targets for the year was not achieved due to inadequate cane and factory plant fatigue indicating need for annual maintenance.

- ii. Capacity utilization was below target due to low cane volumes and frequent factory breakdowns due to lack of maintenance in critical areas affecting factory efficiency.
- iii. Factory time efficiency below target due to delayed annual maintenance and lack of critical spares.

ENVIRONMENTAL AND CSR ACTIVITIES

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

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

During the financial year from July 1, 2024, to June 30th, 2025, Muhoroni Sugar Company has engaged in the following CSR initiatives:

1. **Education:** The Company operates a premier primary school and a junior secondary school that have excelled nationally in KCPE examinations over the past 20 years.
2. **Support for Public Education:** Muhoroni Sugar Company has provided land for two public primary schools (Muhoroni Factory Primary School and St. Agnes Muhoroni Primary School) and one public secondary school (Our Lady Queen of Peace Secondary School).
3. **Water Provision:** Treated water has been supplied to the surrounding community, including:
 - o Churches (e.g., SDA Church)
 - o Schools (e.g., Muhoroni Factory Primary, Our Lady Queen of Peace Secondary, Muhoroni Success Primary)
 - o Muhoroni Stadium
 - o MUSCO Junction squatters and “Konyango” Settlement
 - o Clean drinking water at subsidized rates during funerals and gatherings.
4. **Road Rehabilitation:** Roads within the Muhoroni Sugar outgrower zone have been rehabilitated and maintained to improve mobility, although funding limitations affected the scope of this initiative.
5. **Health Services:** The Company’s dispensary has provided ARVs to 369 registered individuals in the surrounding community.
6. **Maternal Care:** Antenatal care services are provided for children under five, with an annual target of 45 participants.
7. **Health Collaborations:** Health services are delivered in partnership with the Ministry of Health, Aphia Plus, OGRA, and ICAP.
8. **Infrastructure Support:** In collaboration with the County Government of Kisumu, MUSCO repaired the road to Nyayo Sub County Hospital to facilitate easier access for the community.
9. **Community Empowerment:** Muhoroni Stadium is available to the community for talent development initiatives.

Education

- The company runs **Muhoroni Success Primary & Junior Secondary Schools** has consistently maintained top position regionally, providing high quality affordable education to the community currently developing Junior Secondary School to embrace the CBC transition. The last 5 years, the school has posted the following Means mark in KCPE:

Year	Mean
2023	379.93
2022	377.57
2021	381.87
2020	377.74
2019	384.13

Healthcare

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

Environmental Sustainability

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

Infrastructure

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

Water

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

Community Empowerment:

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



.....
Harun Kirui
Joint Receiver & Manager

PRINCIPAL ACTIVITIES

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

RESULTS

The results for the year are set out in the statement of profit or loss and comprehensive income.

DIVIDENDS

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

RECEIVERS/MANAGERS

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

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITORS

The Management confirm that with respect to each manager at the time of issue of this report:

1. There was, as far as each manager is aware, no relevant audit information of which the Company Auditor is unaware; and
2. Each manager has taken all the steps that the person ought to have taken as a manager so as to be aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITORS

The Auditor General is responsible for the statutory audit of the company's books of account in accordance with article 229 of the Constitution of Kenya and the Public Audit Act 2018, for the year ended 30 June 2025.



.....
Harun Kirui
Joint Receiver & Manager

STATEMENT OF THE RECIEVERS & MANAGER'S RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012 and The Kenya Companies Act requires the Joint Receiver Managers to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the Joint Receiver Managers to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company. They are also responsible for safeguarding the assets of the company.

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

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

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

The Muhoroni Sugar Company Limited (In Receivership) Annual Report and Financial Statements

for the year ended 30 June 2025 were approved on2025 and signed on its behalf by:



.....
Harun Kirui
Joint Receiver & Manager

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP) FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Muhoroni Sugar Company Limited (In Receivership) set out on pages 1 to 25, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss & other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a

Report of the Auditor-General on Muhoroni Sugar Company Limited (In Receivership) for the year ended 30 June, 2025

summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

Basis for Disclaimer of Opinion

1. Unsupported Transfer of Ownership

Review of information provided by Management indicated that as per a Cabinet Resolution, the Government of Kenya leased Muhoroni Sugar Company (In Receivership) to a company known as West Valley Sugar Company (Ltd) for a period of thirty (30) years. The Joint Receiver Manager officially handed over on 10 May, 2025. Management further explained that the lessee took over all the assets excluding motor vehicles and movable assets. However, the details of the assets transferred and ownership of the assets could not be confirmed due to lack of provision of the relevant records. Further, the fair value of the assets could not be confirmed contrary to IAS 17.11 which states that for a finance lease, at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. In addition, the price of the lease was not determined.

In addition, Management have not provided an inventory of all the motor vehicles and movable assets excluded from the lease including their valuation, status report and location.

In the circumstances, the credibility of the transfer of ownership and existence of an effective mechanism to safeguard company's assets and premises could not be confirmed.

2. Unconfirmed Transitional Process of Union Workers

Review of records provided by Management revealed that the Government of Kenya leased Muhoroni Sugar Company (In Receivership) to the West Valley Sugar Company (Ltd). Communication by the Cabinet Secretary, Ministry of Agriculture and Livestock Development referenced MOA/S.11/17A/VOL.IV/(5) dated 9 May, 2015 to the Joint Receiver Manager indicated that the leasing process was concluded and the official handover took place on 10 May, 2025. Further, the Joint Receiver Manager vide circular Ref REC/RM/22/2025 dated 15 August, 2025 indicated that termination of services by employees and declared all positions redundant by 31 October, 2025. However, review of the payables of the Company revealed that Kshs.794,352,533 remained outstanding as at 30 June, 2025. The current status of the pending staff arrears is yet to be provided for audit review. Further, a signed and agreed Memorandum of Understanding between the Government and Kenya Union of Sugar

Plantation and Allied Workers detailing the transition terms and conditions of workers' welfare has not been provided for review.

In the circumstances, it was not possible to confirm the regularity of the declaration of the redundancies.

3. Inaccuracies in the Financial Statements

Review of the financial statements submitted for audit revealed various inaccuracies as detailed below:

- i. The statement of financial position and Note 10 to the financial statements reflects growing produce of Kshs.323,792,545. However, the corresponding explanatory note is disclosed under Note 11 to the financial statements. Similarly, the statement reflects committed sugar and due to related party of Kshs.210,450,877 and Kshs.185,362,290 respectively which has no corresponding explanatory note.
- ii. The statement of profit or loss and other comprehensive income reflects revenue, cost of sales and administrative expenses whose corresponding explanatory notes are not indicated on the face of the financial statements.
- iii. Further, the statement reflects other operating income of Kshs.16,141,505. However, the explanatory Note 30 to the financial statements includes gain on biological assets of Kshs.373,225,040. The note does not indicate the total income.

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

4. Variances in the Financial Statements

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

- i. The statement of profit or loss and other comprehensive income and as disclosed in Note 31 to the financial statements reflects an amount of Kshs.430,744,448 in respect of administrative expenses. However, the ledgers provided for audit revealed an amount of Kshs.36,887,713, resulting in an unreconciled and unexplained variance of Kshs.393,856,736. Included in the ledger balance of Kshs.36,887,713 is an expenditure of Kshs.970,203 which was not reported in the financial statement.
- ii. Further, the statement of financial position reflects a balance of Kshs.185,362,290 relating to due to related parties whose supporting ledgers were not provided for audit review.

- iii. The statement of financial position and as disclosed in Note 9 to the financial statements reflects property, plant and equipment balance of Kshs.3,511,599,179 which differs with the ledger balance of Kshs.3,641,962,878 resulting to an unreconciled variance of Kshs.130,363,699.

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

5. Inaccuracies of the Cost of Sales

The statement of profit or loss and other comprehensive income and as disclosed in Notes 26 and 28 to the financial statements reflects cost of sales of Kshs.1,385,226,685 comprising of cane purchases and factory costs of Kshs.861,752,452 and Kshs.523,474,232 respectively. However, review of the factory costs schedules revealed that costs relating to oils, process chemicals and packaging materials totalling Kshs.19,981,958 were omitted from the ledger due to offsetting of these transactions in the ledger. The omission of the factory costs was contrary to IAS 1.15.

Further, the factory costs of Kshs.523,474,232 included electricity and water costs of Kshs.14,499,202. However, review of the supporting schedule revealed that electricity expenses amounting to Kshs.3,411,261 related to the year ended 30 June 2024 which was contrary to National Treasury circular on guidelines on the year end closing procedures for financial year 2024/2025 Ref No. AG.3/88/Vol. VII (43).

In the circumstances, accuracy and completeness of the cost of sales of Kshs.1,385,226,685 could not be confirmed.

6. Unsupported Cash and Bank Balances

The statement of financial position reflects bank balance of Kshs.510,662. However, the bank reconciliation statements in support of the balance were not provided for audit. Further, the certificate of bank balances in respect of Standard Chartered Bank (0102098543200), National Bank of Kenya (0102007885400) and cash certificate in support of Kshs.19,286, Kshs.17,000 and Kshs.41,173 respectively were not provided for audit review.

In the circumstances, the accuracy and fair statement of the bank balance of Kshs.510,662 could be confirmed.

7. Overstatement of Growing Produce

The statement of financial position and Note 11 to the financial statements reflects a balance of Kshs.323,792,545 in respect of growing produce. Review of the significant assumptions made and disclosed indicated that the valuation of growing produce was based on a market price of Kshs.5,500 per tonne of sugar cane and that cane of six (6) months and below is assumed to be immature cane. However, review of the supporting

documentation and data used to compute the fair value figures revealed that the actual assumptions made at the value was based on a market price of Kshs.4,359 per tonne of cane. This resulted to overstatement of growing produce by Kshs.1,141 per tonne. No justifiable explanation was provided for the overstatement.

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

8. Unsupported Trade Payables

The statement of financial position and as disclosed in Note 16 to the financial statements reflects a balance of Kshs.3,058,745,788 in respect of trade and other payables. However, the balance was not supported with detailed ledgers or schedules and an ageing analysis per category showing the opening balance, additions and payments in the year to arrive at the closing balance. Further, supporting documents including LPOs, invoices, vouchers, certificates and creditors' statements were not provided for audit review. Although the Management has explained that the payables were verified by the Presidential Pending Bills Taskforce, the official report on the balances was not provided for audit review.

Further, the trade and other payables balance includes employee related payables of Kshs.794,352,533 which remained outstanding as at 30 June, 2025. However, Management did not provide details of the staff members and respective arrears.

In the circumstances, the accuracy and completeness of trade payables balance of Kshs.3,058,745,788 could not be confirmed.

9. Unsupported Grant Income

The statement of profit or loss and other comprehensive income and Note 4 to the financial statements reflects an amount of Kshs.373,225,040 in respect of grants income related to direct payments by Government of Kenya. However, a detailed analysis of the suppliers whose arrears were defrayed were not provided for audit.

In the circumstances, the accuracy and completeness of the grant income amount of Kshs.373,225,040 could not be confirmed.

10. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.3,106,662,195 and actual amounts realized of Kshs.1,568,684,872 resulting to an under-collection of Kshs.1,537,977,323 or 50% of the budget. The under-collection is attributed mainly due to less than anticipated cane supply and production. Further, the Company reported operating expenses of Kshs.1,815,971,133 out of the approved budget of Kshs.2,629,165,312 resulting to under expenditure of Kshs.813,194,179 or 31% of the final budget.

In the circumstances, the under expenditure affected the implementation of activities and may impact negatively on service delivery.

11. Non-Remittance of Statutory Deductions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.3,058,745,788 which, as disclosed in Note 16 to the financial statements, includes unremitted statutory deductions of Kshs.658,853,083. However, Management did not provide evidence to confirm that the statutory deductions were remitted to the beneficiary organizations. This is contrary to Section 19(4) of Employment Act, Cap 226, which require that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) of the Act shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

In the circumstances, Management was in breach of law.

12. Non-Submission of Quarterly Reports

During the year under review, Management did not provide quarterly reports relating to the Company containing information on the financial and nonfinancial performance in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board from time to time. This was contrary to Section 166(4) of the Public Finance Management Act, 2012 which states that not later than one month after the end of each quarter, the County Treasury shall consolidate the quarterly reports and submit them to the county assembly; deliver copies to the Controller of Budget, National Treasury and the Commission on Revenue Allocation; and publish and publicize them.

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

13. Unsupported Tender Evaluation and Awarding Process

Review of procurement records in respect of repairs and maintenance revealed that the Management did not provide the following procurement records for audit verification;

- i. Letter of notification of award to the successful tenderer in accordance with Section 87 of the Public Procurement and Asset Disposal Act, 2015 which requires that a person submitting the successful tender is notified under subsection (1), the accounting officer of the procuring entity shall also notify in writing all other persons submitting tenders that their tenders were not successful, disclosing the successful tenderer as appropriate and reasons thereof.
- ii. Letter of acceptance from the successful bidder as per Section 87(2) of the Public Procurement and Asset Disposal Act, 2015.

- iii. Notification to unsuccessful bidders in accordance with Section 87(3) of the Public Procurement and Asset Disposal Act, 2015.

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

14. Irregular Procurement of Production Supplies

Review of records showed that payments were made for the supply and delivery of various factory supplies amounting to Kshs.5,996,176. However, the supplies were made without purchase orders contrary to Regulation 166(1) of the of the Public Procurement and Asset Disposal Regulations, 2020 which provides that an accounting officer of a procuring entity shall only receive works, goods or services pursuant to section 159 of the Act based on a purchase order, service order or signed contract. Further, Management procured production items totalling Kshs.4,120,056 from various suppliers. However, the procurement details were not supported with approved Goods Received Notes and merchant's invoices. This was contrary to Regulation 139 (3) of the of the Public Procurement and Asset Disposal Regulations, 2020.

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

15. Irregular Procurement of Sugar Bagging and Branding Services

During the year under review, Management awarded two (2) companies, contracts for sugar bagging and sugar branding under the tender reserved for the Youths, Women and Persons with Disabilities. However, review of the tender evaluation report dated October, 2024 revealed that under preliminary evaluation criteria, the awarded bidders did not submit AGPO Certificate documents which was a mandatory requirement. This was contrary to Regulation 75(1) of the Public Procurement and Assets Disposal Regulations, 2020 which provides that, a procuring entity shall reject all tenders, which are not in conformity to the requirements of section 79 of the Act and Regulation 74 of these Regulations. Further, there was no evidence of notification of award to the successful tenderer was issued in accordance with Section 87 of the Public Procurement and Asset Disposal Act, 2015 which requires that a person submitting the successful tender is notified under subsection (1), the accounting officer of the procuring entity shall also notify in writing all other persons submitting tenders that their tenders were not successful, disclosing the successful tenderer as appropriate and reasons thereof.

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

16. Irregular Procurement of Security Services

Note 34 to the financial statements reflects an amount of Kshs.27,360,142 in respect of indirect general expenses. Review of payment records revealed that Management entered into a contract for the provision of security services and incurred expenses amounting to Kshs.15,372,983. However, audit of the procurement process documents revealed that the provision of security services was not included in the procurement plan

for 2024-2025 contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which states that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan.

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

17. Irregular Commitment of Funds

Review of records obtained revealed that Local Purchase and Service Orders (LPOs and LSOs) amounting to Kshs.3,181,091 were committed past 31 May, 2022 for repairs and installing of new tracking system on tractors and vehicles without approval of the Accounting Officer, contrary to Regulation 51(1) of the Public Finance Management (National Government) Regulations, 2015 which requires that all commitments for supply of goods or services shall be done not later than May 31 each year except with the express approval of the Accounting Officer in writing. The written approval by the Accounting Officer for the commitment of funds past the allowed date was not provided for audit review.

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

18. Staff Over Establishment

Review of the Company's staff establishment revealed that Management approved sixty-eight (68) employees in the sampled departments. However, review of the April, 2025 payroll data revealed that the Company had twenty-seven (27) employees resulting to excess staff by forty-one employees. This is contrary to Section A.15 of the Human Resource Policies and Procedures Manual for Public Service, May, 2016, which states that the functions of Ministerial Human Resource Management Advisory Committees (MHRMAC) entail making recommendations to the Authorized Officer regarding: - inter alia (viii) establishment and complement control. In the circumstances, Management was in breach of the public service policies and procedures.

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

19. Unearned Revenue from Sale of Sugar

The statement of profit or loss and other comprehensive income reflects revenue amount of Kshs.1,179,318,326 in respect of cane and molasses sale. Review of sales records show that Management had unexecuted sugar orders of Kshs.216,497,949 as at 30 June, 2025 an indication that the company was financing its operations through customer borrowings. This was contrary to Section 7.2.1.14 of the Operating Procedure for Sales and Marketing, 2016 which require that the sales, marketing and planning Manager shall ensure that processing sales orders from the time of receipt of customer order to Chief Accountant take no more than 20 minutes to enhance efficiency. The subsequent clearing processes lasting more than 50 minutes will attract Sales and Marketing Manager intervention.

In the circumstances, it was not possible to confirm existence of effective internal controls to ensure efficient sale of sugar.

20. Incomplete Fixed Assets Register

The statement of financial position and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.3,511,599,179 in respect of property, plant and equipment. However, Management did not maintain a fixed asset register to record critical details of the assets indicating their nature, date of purchase, amount, unique identifier number, depreciation among other details. This was contrary to Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a National Government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage, and misuse and that movement and conditions of assets can be tracked.

In the circumstances, the effectiveness of internal controls on safeguarding fixed assets could not be confirmed.

21. Grounded Motor Vehicles and Machineries

Review of the status of the Company's fleet of motor vehicles and machineries revealed that fifty-nine (59) motor vehicles and heavy machinery were grounded with no indication of whether the vehicles would be repaired or disposed of as required by Section 163(1) of the Public Procurement and Disposal Act, 2015. Physical verification of the vehicles at the garage in June, 2025 confirmed that they were dilapidated and were way beyond their economic value. Additionally, one hundred and twelve (112) machinery and motor vehicles were scrapped, grounded and obsolete and were marked for disposal with no indication of whether there were plans to dispose the vehicles, which continue to depreciate in value.

In the circumstances, effectiveness of mechanisms in safeguarding motor vehicles and machines could not be confirmed.

22. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised in the Disclaimer of Opinion. However, although Management has indicated that it has resolved most of the issues, there was no evidence provided to indicate that the issues had been resolved as indicated in the attached **Appendix I**.

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

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance

of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

Responsibilities of the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 December, 2025

APPENDICES

Appendix I :Unresolved Prior Year Matters

S/No	Matter
1.	Variances in the Financial Statements
2.	Unsupported Administrative Expenses
3.	Unsupported Taxes and Loan Written Off
4.	Non – Compliance with the Public Sector Accounting Standards Board Reporting Framework
5.	Unsupported Fair Value Gain
6.	Inaccurate Disclosure of Revenue
7.	Customer Rebates Without Approval
8.	Unsupported Grants Income
9.	Variance Between the Financial Statements and Payroll Records
10.	Material Uncertainty Related to Going Concern
11.	Omitted Property, Plant and Equipment
12.	Fully Depreciated Assets
13.	Variance in Growing Produce
14.	Unsupported Trade Receivables
15.	Management of Inventories
16.	Unsupported Cash and Bank Balances
17.	Unsupported Transactions with Related Parties
18.	Unsupported Trade Payables
19.	Non- Remittance of Statutory Deductions
20.	Inadequate Procurement Controls
21.	Irregular Procurement of Tractor
22.	Failure to Conduct a Market Survey in Procurement of Fertilizer
23.	Failure to Comply with Prescribed Procurement Thresholds
24.	Irregular Procurement of Specialized Parts
25.	Lack of Approved Human Resource Policy
26.	Overpayment of Salaries
27.	Non-Compliance with a Third Rule
28.	Staff Serving in Acting Capacity
29.	Employees in Service Beyond the Retirement Age
30.	Staff under Establishment
31.	Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution
32.	Regularity of Imprest Management
33.	Lack of Standard Costing
34.	Significant Assumptions Fair Value of Growing Produce
35.	Long Outstanding Salary Arrears
36.	Weaknesses in Internal Audit Function
37.	Failure to Maintain a Fixed Assets Register
38.	Unresolved Prior Year Matters
39.	Contingent Liabilities

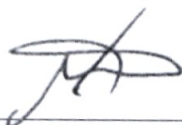
MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
 STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30TH JUNE 2025

	Note	2025 KSh	2024 KSh
REVENUE (APPENDIX I)		1,179,318,326	1,651,398,990
Fair value gain/ (loss) on growing produce	11	202,110,230	271,139,813
OPERATING INCOME		1,381,428,556	1,922,538,803
Cost of sales (Appendix I)		<u>(1,385,226,685)</u>	<u>(2,276,567,912)</u>
GROSS LOSS		<u>(3,798,128)</u>	<u>(354,029,109)</u>
Other operating income (Appendix II)		16,141,505	184,286,115
Grant income	4	373,225,040	250,176,584
Administrative expenses (Appendix III)		(430,744,448)	(224,413,201)
OPERATING LOSS BEFORE FINANCE COSTS		<u>(45,176,031)</u>	<u>(143,979,611)</u>
Net finance costs	5	<u>-</u>	<u>-</u>
LOSS BEFORE TAXATION	6	(45,176,031)	(143,979,611)
Taxation	8	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE YEAR		<u>(45,176,031)</u>	<u>(143,979,611)</u>

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2025

	Note	2025 KSh	2024 KSh
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	9	3,511,599,179	3,588,603,309
Growing produce	10	323,792,545	434,978,188
		<u>3,835,391,724</u>	<u>4,023,581,497</u>
CURRENT ASSETS			
Inventories	12	203,833,347	342,932,186
Trade and other receivables	13	350,510,586	481,705,793
Deferred farmers loans and debts	14	-	-
Cash and bank balances	18b	510,662	1,196,024
		<u>554,854,595</u>	<u>825,834,003</u>
TOTAL ASSETS		<u>4,390,246,319</u>	<u>4,849,415,500</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	15	55,741,920	55,741,920
Revaluation Reserve		3,850,420,831	3,850,420,831
Accumulated loss		(2,970,475,387)	(2,925,299,356)
Shareholders' deficit		<u>935,687,364</u>	<u>980,863,395</u>
NON - CURRENT LIABILITIES			
		-	-
CURRENT LIABILITIES			
Borrowings		-	-
Trade and other payables	16	3,058,745,788	3,698,632,507
Committed Sugar & Mollases	17a	210,450,877	-
Due to related parties	17b	185,362,290	169,919,598
		<u>3,454,558,955</u>	<u>3,868,552,105</u>
TOTAL EQUITY AND LIABILITIES		<u>4,390,246,319</u>	<u>4,849,415,500</u>

The financial statements on page 9 to 25 were approved by the Joint Receivers Managers on2025 and were signed by:



Joint Receiver Manager

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
 STATEMENT OF CHANGES IN EQUITY
 AS AT 30TH JUNE 2025

	Note	Share capital KSh	Revaluation Reserve Kshs	Accumulated loss KSh	Total KSh
At 1st July 2023		55,741,920	3,850,420,831	(29,181,786,339)	(25,275,623,588)
Loss for the year		-	-	(143,979,611)	(143,979,611)
Write off of taxes and loans				26,400,466,594	26,400,466,594
At 30th June 2024		55,741,920	3,850,420,831	(2,925,299,356)	980,863,395
At 1st July 2024		55,741,920	3,850,420,831	(2,925,299,356)	980,863,395
Loss for the year		-	-	(45,176,031)	(45,176,031)
At 30th June 2025		55,741,920	3,850,420,831	(2,970,475,387)	935,687,364

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
CASH FLOW STATEMENT
AS AT 30TH JUNE 2025

	Note	2025 KSh	2024 KSh
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operating activities	18	<u>(111,871,005)</u>	<u>(16,536,480,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in value of Biological Assets	9	<u>111,185,643</u>	<u>(180,749,618)</u>
Net cash used in investing activities		<u>111,185,643</u>	<u>(180,749,618)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans waiver		-	26,400,466,594
Borrowings repaid		-	<u>(9,689,313,375)</u>
Net cash from financing activities		<u>-</u>	<u>16,711,153,219</u>
INCREASE IN CASH AND CASH EQUIVALENTS		(685,362)	(6,077,151)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>1,196,024</u>	<u>7,273,175</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18	<u>510,662</u>	<u>1,196,024</u>

MUHORONI SUGAR CO. LTD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30TH JUNE 2025

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	BUDGET	ACTUAL	VARIANCE	% OF UTILIZATION
Sales	3,062,437,195	1,179,318,326	(1,883,118,869)	39%
Other Income	44,225,000	389,366,545	345,141,545	880%
Total	3,106,662,195	1,568,684,872	(1,537,977,323)	
Operating Expenses				
Cost of Sales	1,875,095,394	1,385,226,685	489,868,709	74%
Administrative Expenses	754,069,918	430,744,448	323,325,470	57%
Total	2,629,165,312	1,815,971,133	813,194,179	
Total Revenue	3,106,662,195	1,568,684,872	(1,537,977,323)	50%
Total Expenditure	2,629,165,312	1,815,971,133	(813,194,179)	69%
Net Profit/Surplus	477,496,883	(247,286,261)	(724,783,144)	

Explanation of major variance

Sales were below budget due to less than anticipated cane supply and production.

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
NOTES TO THE FINANCIAL STATEMENTS
AS AT 30TH JUNE 2025

1 ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

Revenue recognition

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

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

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

Taxation

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

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

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

Property, plant and equipment

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

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

1 ACCOUNTING POLICIES(Continued)

Inventories

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

Sugarcane in yard is stated at cost.

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

Growing produce

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

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

Immature growing cane is valued at cost.

Financial instruments

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

Trade and other receivables

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

Term deposits

Term deposits are stated at amortised cost.

Trade payables

Trade payables are stated at their nominal value.

Investments

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

Borrowings

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

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 30TH JUNE 2025

1 ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Deferred farmers loans and debts

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

Impairment

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

Cash and cash equivalents

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

Employee entitlements

Provision for staff leave pay

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

Retirement benefits obligations

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

Comparatives

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

2 CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

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

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

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

Growing produce

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

Impairment losses

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

Property, plant and equipment

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

Contingent liabilities

The company is exposed to various contingent liabilities in the normal course of business. The Joint Receiver Managers evaluate the status of these exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the Joint Receiver Managers' evaluation, a present no obligation has been established.

3 GOING CONCERN

At 30 June 2025, the Company had a shareholders' surplus of KSh 789,436,907 (2024 -980,863,394 KSh). The financial statements have, however, been prepared on the going concern basis. This basis is appropriate considering that the company taxes and loans were written by the government. The validity of this assumption depends on the success of the various strategic measures the Joint Receiver Managers and the government have put in place to return the company to profitability as well as the company continuing to receive adequate financial support from the debenture holders and other providers of finance to enable it to pay its liabilities as they fall due for the foreseeable future.

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 AS AT 30TH JUNE 2025

	2025	2024
	KSh	KSh
4 GRANT INCOME		
Government of Kenya non-reimbursable grant income	373,225,040	250,176,180
	<u>373,225,040</u>	<u>250,176,180</u>
The grant represents direct payments by Government of Kenya to the company's cane and other suppliers.		
5 NET FINANCE COSTS		
Interest accrued on borrowings	<u>-</u>	<u>-</u>
6 LOSS BEFORE TAXATION		
Loss before taxation is arrived at after charging:		
Staff costs (note 7)	-	349,851,641
Depreciation of property, plant and equipment	-	77,004,131
Joint receiver managers fees and expenses	-	1,977,695
Auditors' remuneration – current year	-	-
7 STAFF COST		
Salaries and wages	421,802,318	347,697,463
Other staff costs	-	198,788
NSSF contributions	-	-
Medical expenses	-	1,955,389
	<u>421,802,318</u>	<u>349,851,640</u>

The average number of employees for the company during the year was 750

8 TAXATION		
Tax charge		<u>-</u>
No tax liability has arisen due to losses made by the company.		
Deferred tax		<u>-</u>
No deferred tax has been recognised due to accumulated tax losses (Note 11).		

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 30TH JUNE 2025

9 PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2025

	Nil Freehold land KSh	2.00% Land Development KSh	2.00% Buildings KSh	5.00% factory Plant and Machinery KSh	20.00% heavy Mobile Machinery KSh	25.00% Motor Vehicles KSh	7.50% other Equipment and Fixtures KSh	Total KSh
COST								
AT 1st JULY 2024	1,845,650,000	10,586,658	982,748,970	1,128,716,912	-	63,989,653	9,354,301	4,041,046,494
Additions		-						-
At 30th JUNE 2025	1,845,650,000	10,586,658	982,748,970	1,128,716,912	-	63,989,653	9,354,301	4,041,046,494
DEPRECIATION								
AT 1st JULY 2023	-	5,388,392	98,274,893	281,383,955	-	63,989,653	3,406,292	452,443,184
Charge for the period	-	211,733	19,654,979	56,435,846	-	-	701,573	77,004,131
At 30th JUNE 2024	-	5,600,125	117,929,873	337,819,800	-	63,989,653	4,107,864	529,447,315
NET BOOK VALUE								
At 30th JUNE 2025	1,845,650,000	4,986,533	864,819,097	790,897,112	-	-	5,246,437	3,511,599,179

Year ended 30 June 2024

	Freehold land KSh	Land Development KSh	Buildings KSh	Factory Plant and Machinery KSh	Heavy Mobile Machinery KSh	Motor Vehicles KSh	Other Equipment and Fixtures KSh	Total KSh
COST								
AT 1 JULY 2023	1,845,650,000	10,410,217	982,748,970	1,128,716,912	-	63,989,653	9,354,301	4,040,870,053
Additions		176,441						176,441
At 30 JUNE 2024	1,845,650,000	10,586,658	982,748,970	1,128,716,912	-	63,989,653	9,354,301	4,041,046,494
DEPRECIATION								
AT 1 JULY 2023	-	5,176,659	78,619,914	224,948,109	-	63,989,653	2,704,719	375,439,054
Charge for the period	-	211,733	19,654,979	56,435,846	-	-	701,573	77,004,131
At 30 JUNE 2024	-	5,388,392	98,274,893	281,383,955	-	63,989,653	3,406,292	452,443,184
NET BOOK VALUE								
At 30 JUNE 2024	1,845,650,000	5,198,266	884,474,077	847,332,957	-	-	5,948,009	3,588,603,309

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

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 30TH JUNE 2025

	2025	2024
	KSh	KSh
10 INVESTMENT		
Unquoted equity investment at cost	583,180	583,180
Less provision for impairment	<u>(583,180)</u>	<u>(583,180)</u>
	<u>-</u>	<u>-</u>

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

	2025	2024
	KSh	KSh
11 GROWING PRODUCE		
Standing cane crop:		
At the beginning of the year	302,668,585	254,228,570
Additions for the year at cost	373,150,599	26,496,319
	<u>339,983,644</u>	<u>280,724,889</u>
Decrease due to harvesting	<u>(218,301,329)</u>	<u>(116,886,514)</u>
	121,682,315	163,838,375
(Loss)/gain in fair value attributed to price change	194,522,949	132,309,603
(Loss)/gain in fair value attributed to physical change	7,587,281	138,830,210
Fair value (loss)/gain during the year	202,110,230	271,139,813
		<u>(132,309,603)</u>
Carrying amount at end of the year	<u>323,792,545</u>	<u>302,668,585</u>
Net (loss)/gain on growing produce assets		
Standing cane crop	<u>323,792,545</u>	<u>302,668,585</u>

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

- The valuation is based on cane price of KSh 5,500 per ton.
- Cane of 6 months and below is assumed to be immature and has no determinable market value. Immature cane is stated at cost. Mature cane has been stated at fair value less point of sale costs.

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

	2025	2024
	KSh	KSh
12 INVENTORIES		
Plant and machinery spares	214,435,445	290,968,135
Diesel stock		493,424
Petrol stock		(2,050,167)
Sugar and molasses		7,424,792
Good in transit		55,088,156
Cane in yard		1,609,944
	<u>214,435,445</u>	<u>353,534,284</u>
Less: Provision for obsolete inventories	<u>(10,602,098)</u>	<u>(10,602,098)</u>
	<u>203,833,347</u>	<u>342,932,186</u>

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 AS AT 30TH JUNE 2025

	2025	2024
	KSh	KSh
13 TRADE AND OTHER RECEIVABLES		
Trade receivables		201,721,556
Other receivables	348,405,934	423,521,110
Deposits and prepayments		1,839,713
Staff receivables	2,104,652	9,124,721
	<u>350,510,586</u>	<u>636,207,100</u>
Less: provision for doubtful debts	-	(154,501,307)
	<u>350,510,586</u>	<u>481,705,793</u>
14 DEFERRED FARMERS LOANS AND DEBTS		
Total loans and debts receivable	872,344,647	872,344,647
Less provision for doubtful debts	<u>(872,344,647)</u>	<u>(872,344,647)</u>
	-	-
The deferred loans and debts comprise advances and loans to cane growers for cane development and are to be recovered from cane proceeds.		
15 SHARE CAPITAL	2025	2024
	KSh	KSh
Authorised, issued and fully paid:		
2,787,096 ordinary shares of KSh 20 each	<u>55,741,920</u>	<u>55,741,920</u>

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 AS AT 30TH JUNE 2025

	2025	2024
	KSh	KSh
16 TRADE AND OTHER PAYABLES		
Trade payables	891,848,185	1,930,155,467
Sugar cane arrears	125,703,617	
Employees related payables	794,352,533	
Taxes, penalties and fines	-	100,727,426
Other payables and accruals	11,202,535	431,897,192
Statutory payables (PAYE,NSSF,SHIF,HOUSIG LEVY,VAT)	658,853,083	850,899,569
Gratuity provision(SERVICE,UNION CBA ARREARS,PENSION)	548,273,720	376,356,977
Leave pay provision	28,512,115	8,595,876
	<u>3,058,745,788</u>	<u>3,698,632,507</u>

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 AS AT 30TH JUNE 2025

	2025 KSh	2024 KSh
18 NOTES TO THE CASH FLOW STATEMENT		
a) Reconciliation of loss before taxation to cash generated from operations		
Loss before taxation	(45,176,031)	(143,979,611)
Depreciation	77,004,131	76,827,690
Finance costs on long term loans (note 4)		-
Loss before working capital changes	<u>31,828,100</u>	<u>(67,151,921)</u>
Working capital changes:		
Decrease in inventories	139,098,839	(125,517,099)
(Increase)/decrease in trade and other receivables	131,195,207	(91,213,302)
Decrease in growing produce		-
Increase in deferred farmers loans and debts		-
(Decrease)/increase in trade and other payables	(639,886,719)	(16,209,684,411)
Committed Sugar & Mollases	210,450,877	
Movement in related party balances	<u>15,442,692</u>	<u>(42,914,018)</u>
Cash generated from operations	<u>(111,871,005)</u>	<u>(16,536,480,752)</u>
b) Analysis of cash and cash equivalents		
Cash and bank balances	<u>510,662</u>	<u>1,196,024</u>
The overdraft is a book balance.		

Notes/Disclosure to Cash & Bank balances

Bank name	Account Number	Balance	Status
Kenya commercial bank	1104058286	433,203.00	Active
Standard chartered	0102098543200	19,286.00	Active
National bank of kenya	0102007885400	17,000.00	Dormant
Cash General	N/a	41,173.00	Active
		510,662.00	

19 CONTINGENT LIABILITIES

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

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

20 CAPITAL COMMITMENT

The company had no capital commitments as at 30 June 2025.

21 FINANCIAL RISK MANAGEMENT

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

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

MARKET RISK

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

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 30TH JUNE 2025

22 CAPITAL RISK MANAGEMENT

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

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

23 INCORPORATION AND ULTIMATE HOLDING ENTITY

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

24 CURRENCY

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

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 30TH JUNE 2025

25 FINANCIAL RISK MANAGEMENT (Continued...)

(i) Interest rate risk

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

The interest movement in the financial asset is negligible and any sensitivity analysis on these instruments would not be representative of the inherent risks associated with the instruments.

(ii) Foreign currency exchange risk

Foreign exchange risk arises from future investment transactions and recognized assets and liabilities. The company's policy is to record transactions in foreign currencies at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the reporting date. All gains or losses on changes in currency exchange rates are accounted for in the statement of profit or loss.

The company operates wholly in Kenya and its assets and liabilities are reported in local currency. The company had no significant foreign currency exposure as at 30 June 2023.

26 CREDIT RISK

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

Credit risk arises from trade and other receivables, cash and cash equivalents held with banks and amounts due from related parties. The company allows credit facilities to customers with a high credit rating and also places funds with recognised financial institutions with strong credit ratings. In addition most of the customers pay in advance and therefore the company does not consider the credit risk exposure to be significant.

27 LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial liabilities.

Management have arranged for diversified funding sources, both short term and long term, to meet the company's obligations as and when they fall due.

28 OPERATIONAL RISK

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

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

MUHORONI SUGAR COMPANY LIMITED (IN RECEIPT)
 DETAILED INCOME STATEMENT
 AS AT 30TH JUNE 2025

NOTE	2025	2024
	KSh	KSh
25 REVENUE		
Sugar sales	1,134,047,346.28	1,508,145,250
Molasses sales	45,270,980.12	143,253,740
Bagasse sales	-	-
Total sales	<u>1,179,318,326</u>	<u>1,651,398,990</u>
26 COST OF SALES		
Cane purchases	(861,752,452.11)	(1,804,479,725)
Factory & agricultural cost	(523,474,232.45)	-
Factory costs	-	(409,078,814)
Agricultural costs	-	(63,009,373)
Inventory movement	-	-
	<u>(1,385,226,685)</u>	<u>(2,276,567,912)</u>
GROSS LOSS	(205,908,358)	(625,168,922)
Other operating income	16,141,504.97	26,584,752,709
Grant income	373,225,040.30	250,176,584
Administrative expenses	(430,744,448.15)	(224,413,201)
Finance costs		-
LOSS BEFORE TAXATION	<u>(247,286,261)</u>	<u>25,985,347,170</u>
Reconciliation of results based on actual cost of biological assets and agricultural produce was necessary so as to result at fair valuation of biological assets and agricultural produce:		
	2025	2024
	KSh	KSh
LOSS BEFORE TAXATION AS ABOVE	(247,286,261)	25,985,347,170
Fair value adjustment	<u>202,110,230</u>	<u>271,139,813</u>
LOSS BEFORE TAXATION AS PER INCOME STATEMENT	<u>(45,176,031)</u>	<u>26,256,486,983</u>

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
 DETAILED INCOME STATEMENT
 AS AT 30TH JUNE 2025

NOTE	2025 2023	2024 KSh
26 CANE PURCHASES		
Registered out growers cane	-	1,398,445,830
Nucleus estate cane	-	406,033,895
Cane supply	861,752,452.11	
	<u>861,752,452</u>	<u>1,804,479,725</u>
28 FACTORY COSTS		
Staff costs	421,802,317.57	205,997,760
Other factory costs		38,693,409
Depreciation of factory plant and buildings		56,435,846
Hire of equipments		6,854,050
Diesel m.v	10,000.00	
Petrol m.v	472,203.68	
fertilizer	4,508,850.00	
Repairs and maintenance	30,163,763.09	47,075,810
Electricity and water costs	14,499,201.95	35,747,461
oils	5,797,084.68	
contract labour	3,476,026.30	
processing & chemical	28,101,390.48	
Fuels and lubricants		13,283,089
Packaging materials	14,643,394.70	12,029,602
	<u>523,474,232</u>	<u>416,117,027</u>
29 AGRICULTURAL COSTS		
Staff costs		51,499,440
Other agricultural costs		11,298,200
Depreciation of agricultural equipment		211,733
		<u>63,009,373</u>
30 OTHER OPERATING INCOME		
Other miscellaneous income	14,753,419.27	-
seedcane sales	964,405.70	-
labour /cane transport	-	7,321,000
Medical charges	-	103,920
Milling cane	-	-
Sale of scrap metal	363,680	2,466,710
rental income	60,000.00	
hire equipments	-	
Interest on outgrowers		8,743,717
Gain on Biological assets		138,830,210
grants income	373,225,040.30	-

MUHORONI SUGAR COMPANY LIMITED (IN RECEIVERSHIP)
 DETAILED INCOME STATEMENT
 AS AT 30TH JUNE 2025

NOTE	2025	2024
	KSh	KSh
31 ADMINISTRATIVE EXPENSES		
Staff costs /employment cost-indirect	199,090	110,355,943
Other costs		60,569,334
Joint Receivers Managers fees and expenses		1,977,695
Insurance		3,586,920
indirect expenses	291,056,619	
labour /cane transport	8,363,981	
repairs & maitainance	1,688,669	
Depreciation	77,004,131	20,356,552
hire equipments	4,959,099	
Security		22,399,369
General Expenses Indirect	27,360,142	
Gratuity provision		
Leave pay provision movement	19,916,239	
Bank charges	196,478	246,210
Provision for interest and penalties on overdue taxes		
Audit fees		3,845,250
Telephone and faxes		214,223
Legal and professional fees		861,705
	<u>430,744,448</u>	<u>224,413,201</u>
INTEREST AND PENALTIES ON OVERDUE TAXES		
Provision for interest and penalties on overdue taxes	<u>-</u>	<u>-</u>

32 Indirect Expenses	2025
	KSh
Audit Fees	500,000.00
Charity & Donations	3,273,368.90
Consultancy Fees Expense	1,373,888.50
E - Mails	541,492.25
Electricity Expenses	22,564,278.00
Hire of Equipment	1,327,800.00
Insurance Expenses	1,090,678.00
Interest & Penalties on Taxes	247,146,967.00
Miscellaneous - Indirect	250,600.00
Office Expenses	320,594.20
Other Employment Costs	966,662.00
Postage & Courier Services	10,292.00
Printed Stationery	362,760.00
Prior Year Adjustment Indirect	152,498.71
Retirees Final Benefits	2,864,868.02
Training & Development	247,150.10
Traveling Expenses	8,062,721.33
	291,056,619.01

33 Employment Cost Indirect

Contract Labour Indirect	83,200.00
Leave Travelling Allowance	115,890.00
	199,090.00

34 General Expenses Indirect

Air Travels -Indirect	681,200.00
Food & Sundries	2,651,326.00
Guest House Expenses	1,169,573.00
Guest House Expenses Indirect	49,035.00
Legal Fees	1,638,263.25
Medical Expenses	1,184,411.72
Medicine & Drugs	1,700,174.79
Receivers Expenses	2,820,000.00
Security Hire	15,466,158.39
	27,360,142.15

**MUHORONI SUGAR COMPANY LIMITED(IN RECEIVERSHIP)
PROGRESS ON FOLLOW UP OF AUDITOR RECOMMEDATIONS**

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

Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
1	Lack of Approved Human Resource Policy During the year under review, the Company recruited twenty-three (23) casual employees. However, review of the human resource policy documents revealed that the Company had no approved Human Resource Policy Manual on recruitment of casuals as guided by the Office of the President Circular Ref. OP/CAB.9/1A dated 11 March, 2020. The Circular requires all State Corporations to file with SCAC their Human Resource Compliance Reports, including payroll reports for all cadres of staff and other stated Human Resource Instruments for approval by 31, July of each year. It was not clear how the casuals were engaged in the absence of the policy manual. In the circumstances, Management was in breach of the law	The current Human Resource Manual we are using was approved internally by the Joint Receiver Managers. However we engaged the Public Service Commission in the development of the Human Resource Instruments and the same has been approved	Engaged the Public Service Commission in the development of the Human Resource Instruments and the same has been approved.The same overtaken events.The company has already been leased to kipchimchip groups of companies by the government of Kenya.Matter reviewed and addressed
2	Non-Remittance of Statutory Deductions -The statement of financial position reflects trade and other payables balance of Kshs.3,721,776,806 as disclosed in Note 17 to the financial statements. Included in the balance are statutory deductions relating to HELB, Housing Levy, NHIF deductions, NSSF contributions and PAYE totaling Kshs.850,899,569 which had not been remitted to the statutory entities.Failure to remit the deduction is contrary to the Section 37(1) of the Income Tax Act, 2012 which states that 'an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed. The payroll payables were also not supported by way of detailed listing of the staff from whom the deductions were made and the respective amounts. Further, details of the remittances indicate the payables were accrued during post receivership period. Details and balances of pre-receivership statutory deductions were not provided for audit review. In the circumstances, Management was in breach of the law.	The Company suspended production for four months, from July to October 2023. However, it continued to incur staff-related statutory dues despite not generating any revenue, resulting in an accumulation of these dues. Nevertheless, it is clear that the Company has settled PAYE from July 2023 to June 2024, with only the payment for October 2023 remaining outstanding.	Matter reviewed and addressed
3	Unsupported Grants Income The statement of profit or loss and other comprehensive income and Note 4 to the financial statements reflects grants income of Kshs.250,176,584 related to direct payments by Government of Kenya to the company's cane and other suppliers. However, the criteria and basis for identification of the farmers with arrears and suppliers invited to submit quotations were not provided for audit. Further, liabilities defrayed by the Company could not be identified in the financial records and the Management has not provided explanations on the same.In the circumstances, the validity, accuracy and completeness of the grant income of Kshs.250,176,584 for the year ended 30 June, 2024 could not be confirmed.	The kshs 250,176,584 relates to farmers arrears paid to famers by the Government of Kenya, a list of the farmer is hereby attached. The amount is only for sugarcane farmers and not to trade creditors. The outstanding farmers arrears as at October 2022 were compiled, verified, and audited by the Ministry of Agriculture and was amounting to Kshs. 316,651,523 out of this the Government paid 84% which amounted to the figure of kshs 250,176,584(attached is the approval from the national for action plans to revive the state owned sugar companies.)	Matter reviewed and addressed

<p>4 Material Uncertainty Related to Going Concern-The statement of comprehensive income reflects a loss of Kshs.467,863,963 2021/2022 - loss Kshs.594,551,386 thus increasing the accumulated loss from Kshs.28,713,922,376 to Kshs.29,181,786,339 as at year end. Further, the current liabilities of Kshs.29,810,463,910 exceed the current assets of Kshs.869,409,322 resulting in a negative working capital of Kshs.28,941,054,588. However, this fact has not been disclosed in the notes to the financial statements as required under IAS 1:25 on presentation of financial statements. The current ratio for the company has been decreasing over the years and has been lower than generally acceptable level of 1.00 indicating that the Company was not able to meet its current liabilities. Similarly, a higher debt to assets ratio, especially above 1.0 implies that the company is significantly funded by debt and may have difficulties in meeting its obligations when they fall due. Computation of the company's debt to assets ratio resulted to a ratio of 46 9113 up from 41.2804 in the financial year ended 30 June, 2022. Further, Management has not demonstrated tangible measures being undertaken to reverse the negative trend which casts doubt on the Company's ability to sustain services in the foreseeable future. In the circumstances, these conditions alongside other matters on profitability are indicative of the Company's inability to continue as a going concern</p>	<p>The Company has been listed for leasing which is among the action plans by the government to revive and commercialize the state-owned sugar companies. Among other measures include debts write off, tax arrears write off and settlement of farmer and workers arrears among other action plans. The factory shall be modernized to improve the efficiency and throughput and therefore profitability. The sugar act has been ascended to by the president bringing in force the Kenya sugar board hence sugar development levy to enable further financing for the company</p>	<p>The company has already been leased to kipchimchip groups of companies by the government of Kenya. Matter reviewed and addressed</p>
<p>5 Transfer of Land Lease-The statement of financial position reflects land net book value of Kshs.1,845,650,000 as disclosed at Note 9. Records provided on land and owner's rights over that land indicated that the Company owns five (5) parcels of land. However, Management did not provide for audit, ownership documents for one parcel of land measuring 1,786 acres. Although Management indicated that the title deed was misplaced, evidence of steps taken to replace the title deed were not provided. Further, three title deeds were not registered in the name of Muhoroni Sugar Company. No evidence was provided that ownership of the land had been reverted to the Company. In the circumstances, valuation and ownership of the total land value of Kshs.1,845,650,000 could not be confirmed.</p>	<p>The title deed LR 11685 (Number IR 21322) for a leasehold term of 945 years and 2 months from 1st September 1966 was not returned to Muhoroni Sugar Co. along with the other title documents at the start of receivership. The management, through its legal team, has been actively pursuing the replacement of the lost title deed..</p>	<p>Matter reviewed and addressed</p>
<p>6 Allocation of Company's Land-Records provided for audit revealed that Muhoroni Sugar Company Limited, formerly East African Sugar Industries Limited originally owned 8,083 acres of Nucleus estate out of which 102.37 acres were allocated to Agrochemical Company Limited, 454 acres to squatters and 1,577.97 acres to third parties. Further, other parts of the land were donated to churches, County Government of Kisumu, Muhoroni Factory Primary School as part of Corporate Social Responsibility (CSR). No evidence was provided that the County Government signed a lease agreement with the Management. Management also indicated cases of encroachment by Koguta Clan through a claim that was determined by the National Lands Commission and Koketch Estate under Pombo Area. The Court matters had not been determined as at February, 2023 and ownership of the parcels could not be confirmed</p>	<p>Land allocations were conducted by the government through the Agricultural Development Corporation (ADC) before the receivership period. The management is unable to verify whether payments were made to ADC. We have duly informed the National Land Commission about these allocations and await further action from the government. Therefore, verification of payments cannot be confirmed at this time.</p>	<p>Matter reviewed and addressed</p>
<p>7 Failure to Maintain a Fixed Assets Register-The financial statements reflect property, plant and equipment balance of Kshs.3,588,603,309 as disclosed in Note 9 to the financial statements. However, Management did not maintain a fixed asset register to record the assets indicating their nature, date of purchase, amount, unique identifier number, depreciation among other details. This was contrary to Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a National Government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage, and misuse and that movement and conditions of assets can be tracked. In the circumstances, existence of effective internal controls on management of assets could not be confirmed</p>	<p>As per the valuation report by Tyson valuers of October 2019 for all company assets we have incorporated the same to form the basis of our asset register..</p>	<p>Matter reviewed and addressed</p>

<p>8 Weaknesses in Internal Audit Function-Review of the operations of the Internal Audit Unit revealed the following weaknesses: Review of the 2023/2024 work plan revealed the that the internal audit function targeted twenty-one (21) audit areas. However, the function covered only one (1) out of the targeted areas; Imprest Management. Further, it was not clear if the report was presented to the Management for adoption and whether the recommendations were thereafter implemented. During the year under review, the Company had an internal audit function in place with only three (3) staff members. Review of the approved staff establishment revealed that internal audit department was supposed to be staffed with six (6) officers. This resulted to understaffing of three (3) officers contrary to Regulation 162 (2)(a) of the Public Finance Management (National Government) Regulations, 2015, which states that an Accounting Officer shall ensure that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities. Further, the department was not headed by a substantive Internal Audit Manager. In the circumstances, the existence of an effective review of the financial and non-financial performance management systems and internal controls could not be confirmed</p>	<p>The audit division identified 21 areas for review; however, only one report was presented to management for adoption. This was primarily due to a reduction in personnel caused by employee turnover, which impacted the team's ability to manage both audit requests and the overall audit plan. A movement schedule is attached for management's reference. Moving forward, the audit division will concentrate more on the planned audit areas to ensure comprehensive coverage. The management is in the process of recruiting personnel to cover vacant positions in line with the awaited Human Resource instruments already approved.</p>	<p>The same overtaken events. The company has already been leased to kipchimchip groups of companies by the government of Kenya. Matter reviewed and addressed</p>
<p>9 Long Outstanding Salary Arrears-Review of payroll records provided for audit revealed that the Company owed an amount of Kshs.639,993,770 in respect of salary arrears that have been outstanding since April 2018. Although Management has explained that the main reason for the delay in settling of the salary payable was due to Company's cash flow constraints, it is not clear why salary arrears have been outstanding since 2018. Further, Management has not provided any details on how it intends to clear the balances owed to staff members which is contrary to Section 17 (1) of the Employment Act, 2007 which states that subject to this Act, an employer shall pay the entire amount of the wages earned by or payable to an employee in respect of work done by the employee in pursuance of a contract of service directly. In the circumstances, the accumulation of the arrears may adversely affect cash management in future and the Company might find it difficult to sustain its services</p>	<p>The Company suspended production for four months, from July to October 2023, due to a directive from AFA to allow for cane development. Despite not generating any revenue during this period, the Company continued to incur staff costs, which accounts for the outstanding salaries for August to October 2023. The Company has made efforts to consistently pay monthly salaries from its internally generated revenue, having settled staff salaries for July 2023 and from October 2023 through June 2024. Additionally, the long-standing arrears from 2018 have been submitted to the Government for settlement as part of the planned leasing program.</p>	<p>The company has already been leased to kipchimchip groups of companies by the government of Kenya with the government having plan to clear all salary arrears.</p>
<p>10 Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution Review of the June 2024 payroll revealed that Muhoroni Sugar Company had a workforce of 662 out of which 497 or 75% were members of the dominant community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires public establishment to seek to represent the diversity of the people of Kenya in employment of staff. In the circumstances, Management was in breach of the law.</p>	<p>receivership are very temporary and unattractive. Because of the high staff turnover, majority of available labor are drawn from the local pool of labor. As a matter of fact the increase in competition from new companies, springing up, some of the skilled workers who have been absorbed by the company, prefer to move to new employers, who have put up new factories with more comfortable operations in the immediate neighborhood. In addition, some functions involve local farmers, which require extension workers with knowledge in the local dialect. In the last one year we've lost several electricians, artisans, operators and many more to the rapidly expanding competitors. The tribal distribution is not necessarily controlled by the company, but purely because of availability and willingness of</p>	<p>Matter reviewed and addressed</p>

11	<p>Staff Under Establishment-Review of the human resource records indicated that the Company had an approved establishment of eight hundred and seventy-seven (877) staff members across all cadres as detailed below; however, the actual number of staff was six hundred and sixty-two (662) leading to an under establishment of two hundred and fifteen (215) staff (or 25%) of the approved establishment. This is contrary to Section A.15 of the Human Resource Policies and Procedures Manual for Public Service, May 2016, which states that the functions of Ministerial Human Resource Management Advisory Committees (MHRMAC) entail making recommendations to the Authorized Officer regarding: - inter alia (viii) establishment and complement control. In the circumstances, Management was in breach of the public service policies and procedures</p>	<p>The company is under receivership and funds unavailability making the company not possible to employ.</p>	<p>The company has already been leased to kipchimchip groups of companies by the government of Kenya. Matter reviewed and addressed</p>
12	<p>Staff Serving in Acting Capacity -Review of the payroll and human resources records revealed the following; Eight-four (84) employees were serving in acting positions for more than 6 months and drawing acting allowances. Management attributed the failure to appoint the employees in substantive positions to the instructions issued by the Ministry of Agriculture, Livestock, Fisheries and Co-operatives through circular Ref: MOEALF&C/CS/ADM/30 dated 7 July, 2020, to the sugar millers that they should not hire any new employees or effect any new promotions or offer additional benefits other than what existing staff were then entitled to. However, this exceeded the statutory duration provided for in the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months. Forty-five (45) permanent staff were paid acting allowance in excess of the stipulated 20% of their basic salary contrary to section of the Human Resource Policies and Procedures Manual for the Public Service, 2016. Sixty-nine (69) employees were serving in acting capacity without the requisite qualifications as per the job descriptions contrary to Section C.14(1) which requires legibility for officers to serve in acting capacity. In the circumstances, the Management was in breach of the law</p>	<p>The company has experienced acute Labour turn over due to non-payment of salary. The forgoing concern has made it difficult for the organization to recruit and retain qualified personnel to fill some of the substantive positions thus engaging staff internally for continuity of operations. Payment of acting allowance is done in line with the organization's HR operating procedure on acting appointment. Employees with minimum job qualification are paid 90% percent of the difference between the employee's salary and the entry level salary for the acting position, employees without minimum job qualifications who are appointed to act on higher position are paid 15% percent of their basic salary as duty allowance for management staff. The unionisable staff</p>	<p>The human resource instrument been approved, the same overtaken events. The company has already been leased to kipchimchip groups of companies by the government of Kenya. Matter reviewed and addressed</p>
13	<p>Non-Compliance with a Third (1/3) Rule-Review of the payroll for the month of June 2024 revealed that seven (7) employees earned salaries which were less than a third of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which states the total amount of all deductions may be made by an employer from the wages of his employee at any time shall not exceed two thirds of such wages or such additional or other amount as maybe prescribed by the Minister. In the circumstances, Management was in breach of the law.</p>	<p>The personnel listed below were back office members of Nyando Sacco Society Ltd during the audit review period, receiving their salaries at different pay points. They exceeded their salary commitments by more than two-thirds of their basic pay due to personal engagements related to emergency matters with the Sacco. The Company has instituted stringent controls on advances to ensure the 1/3 rule is not violated.</p>	<p>Matter reviewed and addressed</p>