

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 APR 2025	DAY: WEDNESDAY
TABLED BY:	DEPUTY LEADER OF THE MAJORITY PARTY
CLERK AT THE TABLE:	P MUIGA

OF

THE AUDITOR-GENERAL

ON

NZOIA SUGAR COMPANY

FOR THE YEAR ENDED

30 JUNE, 2024



Sweetening Kenya
since 1978

HEAD OFFICE
P.O. BOX 285 - 50200,
BUNGOMA

nzoiia sugar
Company Ltd



TEL:- 055 - 30500
Fax :- 055 - 30001
E-mail: md@nzoiiasugar.com

**ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2024**



Sweetening Kenya Since 1978

Prepared in accordance with the Accrual Basis of Accounting Method
under the International Financial Reporting Standards (IFRS)

Nzoia Sugar Company Limited
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ABBREVIATIONS AND ACRONYMS

BDC- Business Development Committee

CEO-Chief Executive Officer

CPA -Certified Public accountant

CSR- Corporate Social Responsibility

ESG – Environmental and Sustainability Goals

OSHA- Occupational Safety and Health Act,2007

FCB - Fives Cail

F&EC -Finance and Establishment Committee

HR&A- Human Resource and Administration Committee

IDB- Industrial Development Bank

TC/TS- Total Cane over Total Sugar ratio

KRA – Key Results Areas

N.E – Nucleus Estate

O.G - Out growers

NSC LTD-Nzoia Sugar Company Limited

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KEY COMPANY INFORMATION

WHO WE ARE

Nzoia Sugar Company Limited (NSC) was established in 1975 and started operations in 1978. It was formed under the Companies Act Cap 486 of the Laws of Kenya with Memorandum and Articles of Association and issued certificate of incorporation No.C13734 on 1st August, 1975. The mandate of the company at the time of inception was to establish sugar cane plantations, manufacture sugar and create employment. The Shareholding of the Company includes Kenya Government with 97.94 % shares, Fives Cail with 1.13 % shares and Industrial Development Bank (IDB) holding the remaining 0.93 % shares. The company is a major player in the Kenyan Sugar sector. It is located in Bungoma County and serves farmers in Bungoma and Kakamega Counties. The raw material base comprises a Nucleus Estate spanning 3,600ha and an out-grower scheme of 26,000 ha made up of 45, 000 small holder farmers.

OUR VISION

To be globally competitive in Production and Marketing of sugar and other products

OUR MISSION

To efficiently, innovatively and sustainably produce and market sugar and other products in a clean and safe environment to the satisfaction of all stakeholders

OUR MANDATE

The Company's core mandate includes the following;

- a) To process and sell sugar and its by-products;
- b) To establish and maintain sugarcane plantations in both the nucleus estate and out growers' scheme;
- c) To diversify product portfolio; and
- d) To maximize the efficiency of resource allocation.

CORE VALUES

The Company core values are:

- (a) **Customer Focus-** The Company shall remain helpful and courteous to customers, know customer needs and listen to all customers, maintain and build customer satisfaction with our products and service.
- (b) **Integrity-** The Company shall have a strong work ethic, honestly do our best at all times and address anything unethical at work
- (c) **Professionalism-** The Company and its Staff will build high competence in our work, effectively manage time and work duties, abide with the specifications, regulations and policy guidelines.
- (d) **Creativity and Innovation-** The Company will develop new and unique ways of working and press on to uncover value adding ways of working.

Principal Activities

The principal activities of the company are:

- (i) The production and sale of sugar and its co-products.
- (ii) To establish and manage sugarcane plantations and assist others to do so.

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KEY COMPANY INFORMATION continued

Key Management

Nzoia Sugar Company Limited day to day management is under the following key organs:

- Board of Directors
- CEO; and
- Senior Management Team

The day to day operations are overseen by a CEO who is supported by 12 senior managers. The company has a board of directors that provides policy and oversight of its operations on behalf of the shareholders.

Fiduciary Management

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

1	Chief Executive Officer	CPA Ezron Kotut
2	Company Secretary	Ms. Ritah Mukhongo
3	Agriculture Services Manager	Mr. Ignatius Wafula
4	Factory Manager	Mr. Kenyatta Ogeke
5	Internal Audit Manager	CPA Lucas Otene
6	Finance Manager	CPA Peter M. Simiyu
7	Sales & Marketing Manager	Ms. Edwina Omollo
8	Procurement Manager	Mr. Erick Makutwa
9	Human Resource Manager	Mr. Shadrack Masinde
10	ICT Manager	Ms. Damaris Shikanga
11	Agriculture Manager	Mr. Staney Babikha
12	Public Relations Officer	Ms. Florence Mutinda
13	Quality Assurance Officer	Mr. Benson Khwatenge

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KEY COMPANY INFORMATION continued

CORPORATE INFORMATION

Hon. Alfred Khang'ati - Chairman - Appointed on 17th Feb 2023
 CPA Ezron Kotut - Managing Director - Appointed on 10^h May 2023
 Daniel Muimi - IDB Capital-Appointed by virtue of office
 Richard Njoba - FCB - Appointed by virtue of office
 Protus Khisa - Alt to PS Ministry of Agriculture Livestock & Fisheries.
 Elizabeth Mudukiza Iminza- Appointed on 17th February 2023
 Patrice Chumba - Appointed on 17th February 2023
 Millicent Anyango Abudho - Appointed on 17th February 2023
 Benson Madebe Chahasi - Appointed on 17th February 2023
 Bonface Okhiya Otsiula - Appointed on 17th February 2023
 Eunice Wanjiru Karanja - Appointed on 17th February 2023
 - Left on 26th July 2023
 Carolyne Temoi - Appointed on 27th October 2023
 Okwakau Ino Jonathan - Appointed on 17th February 2023
 Cheryl Majiwa - Appointed on 2nd May 2023
 - Alternate to CS National Treasury

COMPANY SECRETARY - Ritah Mukhongo
 P. O Box 285-00100
 Bungoma

REGISTERED OFFICE Off Webuye – Malaba Road
 5 kms from Bukembe Junction
 P O Box 285-50200
 Bungoma, Kenya

CONTACTS Telephone +254727477777 / +254727483483
 Email:md@nzoiasugar.com
 Website: www.nzoiasugar.com

PRINCIPAL AUDITORS The Auditor General
 P O Box 30084 - 00100
 Nairobi

BANKERS	Diamond Trust Bank Bungoma Branch P O Box 726-50200 Bungoma	The Co-operative Bank of Kenya Limited Bungoma Branch P O Box 1964 – 50200 Bungoma	Standard Chartered Bank (K) Ltd Eldoret Branch P O Box 30100 Eldoret
	Kenya Commercial Bank Limited Bungoma Branch P O Box 380 – 50200 Bungoma	National Bank of Kenya Limited Bungoma Branch P O Box 25 – 50200 Bungoma	
ADVOCATES	Simiyu Makokha & Company Advocates P.O Box 104 Bungoma	Manyonge Wanyama & Associates Advocates Email: manyonge@gmail.com	
	Lumatete Muchai & Co. Advocates P.O.Box 90565-80100		

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BOARD OF DIRECTORS

<p>1. Hon. Alfred Khang'ati- Chairman</p> 	<p>Hon. Alfred Khang'ati holds a Masters in Building (Project) Management and B.A Hons in Land Economics from the University of Nairobi with over 30 years' experience in the leadership and management. He is a former Member of Parliament for Kanduyi constituency. He is a seasoned businessman with interests in the construction industry. He is skilled in governance and entrepreneurship and has been on various board in the banking industry, local and continental volleyball sports federation. He was appointed to the board on 17th February 2023.</p>
<p>2.CPA Ezron Kotut</p> 	<p>CPA Ezron Kotut is the acting Managing Director of Nzoia Sugar Company. He holds Master of Business Administration and Bachelor's degree in Management and Leadership from Management University of Africa. He is a Certified Public Accountant (K) and a Member of ICPAK. He has over 15 years' experience in the private sector and 13 years' experience in Sugar industry.</p>
<p>3.Mr. Benson Madebe Chahasi</p> 	<p>Mr. Benson Chahasi has an MBA in Management, BED in Arts and currently pursuing a Phd in Strategic Management. He has over 21 years' experience as a lecturer and an administrator.</p>
<p>4.Mr. Bonface O. Otsiula</p> 	<p>Hon. Bonface Otsiula holds Bachelor of Law Degree LLB, post graduate Diploma in Law and is an advocate of the High Court of Kenya with over 22 years' experience. He is a former KFF chairman Bungoma county. A former member of parliament for Bumula Constituency 2013-2017, Director at Nzoia Sugar Co.Ltd 2009-2012 and selection panellist SRC chair selection committee-March 2018.</p>
<p>5. Mr.Daniel Muimi</p> 	<p>Mr.Daniel Muimi has B.A Degree from the University of Nairobi. He is also a qualified Certified Public Accountant of Kenya (CPA-K) and Certified Financial Analyst (CFA) with over 10years experience in financial sector specializing in development finance. Currently he is the acting Deputy Director Investment Appraisal and Administration Kenya Development Corporation.</p>

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<p>6.Mr. Owakau Ino Jonathan</p> 	<p>Mr.Owakau Ino Jonathan is a health professional with over 26 years work experience. He has a bachelor of Science Environmental Health. Previous he served as a district public health officer in charge of Teso district from 1997-2009, Bungoma East 2009-2010, Programme officer at Afya House in 2011 and sub-county medical officer in charge of health at Ugenya district 2011-2019. Chief officer health and sanitation, county government of Busia 2020-2022.</p>
<p>7. Mr. Patrice Chumba</p> 	<p>Bishop Patrice Chumba has a degree in Theology with over 34 years' experience. He is currently the presiding Bishop of all AIC Churches in the Western and Rift region.</p>
<p>8. Mr. Richard Njoba</p> 	<p>Mr. Richard Njoba has experience of over 34 years' in the private sector dealing with the business of equipment supply, industrial agri-processors and support to strategic institutions. He is skilled in governance and entrepreneurship through various board seats in the manufacturing industry, banking industry, local and continental sports federation. He sits on the board as alternate director of Fives Cail (FCB).</p>
<p>9.Ms. Elizabeth Mudukizi Iminza</p> 	<p>Ms. Elizabeth Iminza has a diploma certificate in criminology and criminal justice from Masinde Muliro university of science and Technology and is currently pursuing a degree in the same course at the same university. She has worked at Postal Corporation of Kenya, Ministry of Interior and Co-ordination, a board member of Givole and Jepkoyai secondary schools. She has over 20 years' experience in the public sector.</p>
<p>10.Ms. Temoi Carolyne</p> 	<p>Ms. Temoi Carolyne replaced Ms.Eunice Karanja.</p> <p>She has over 25 years of work experience in program design and implementation, program evaluation, policy analysis, quality assurance and teaching.</p> <p>Currently she is undertaking a PhD in social work at the Catholic University of Eastern Africa, she holds a Master of Social Work Degree from Dominican University, USA and a Bachelor of Arts Degree from Kenyatta University. She is a lecturer at St Paul's University.</p>

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<p>11. Ms. Millicent Anyango Abudho</p> 	<p>Ms. Millicent Abudho has a diploma in marketing from Kenya Institute of Management (KIM) with over 20 years' experience in the marketing profession. She has worked as a sales manager for Sleek Kenya Limited, East Africa Glassware Mart Limited, Wiselink Marketing agency and Healthfirst International.</p> <p>Ms. Abudho has attended various training and development courses namely Agriculture budget monitoring and advocacy course, management & sales technique and training, customer relationship management programmes.</p>
<p>12. Mr. Protus Wanyonyi Khisa</p> 	<p>Mr. Protus Khisa has MSc. Soil Science/Agriculture degree from the University of Nairobi. He has over 25 years' experience working for the Ministry of Agriculture and Livestock Development.</p>
<p>13. Ms. Cheryl Majiwa</p> 	<p>Ms. Cheryl Majiwa holds a bachelors of Commerce ,Accounting & Finance from Strathmore University and Masters of Business Administration (Strategic Management) from the University of Nairobi and a member of the ICPAK. She is the alternate Director of the National Treasury. She is the assistant director Investments and Portfolio Management, in the National Treasury.</p>
<p>14. Ms. Ritah Mukhongo</p> 	<p>Ms. Ritah Mukhongo is 42 years old, the Ag. Company Secretary. She holds Bachelor of Law Degree LLB, post graduate Diploma in Law and currently undertaking master's programme MBA in Strategic Management. She is an advocate of the High Court of Kenya, a certified professional mediator, a commissioner for oaths and notary public. She has over 18 years' experience in Legal matters. She took over on 15th January 2018.</p>

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KEY MANAGEMENT TEAM

<p>1. CPA. Ezron K Kotut</p> 	<p>CPA Ezron Kotut is the Managing Director of Nzoia Sugar Company. He holds Master of Business Administration and Bachelor's degree in Management and Leadership from Management University of Africa. He is a Certified Public Accountant (K) and a Member of ICPAK. He has over 15 years' experience in the private sector and 13 years' experience in Sugar industry.</p>
<p>2. Mr. Ignatius B Wafula</p> 	<p>Mr. Ignatius Wafula is in charge of Agriculture Services Department. He holds masters in Project Planning in Production Engineering. He is a registered member of graduate engineers. He has over 21 years' experience.</p>
<p>3. Ms. Ritah Mukhongo</p> 	<p>Ms. Ritah Mukhongo is the Acting Company Secretary. She holds Bachelor of Law Degree LLB, post graduate Diploma in Law and currently undertaking master's programme MBA in Strategic Management. She is an advocate of the High Court of Kenya, a certified professional mediator, a commissioner for oaths and notary public. She has over 18 years' experience in Legal matters. She took over on 15th January, 2018.</p>
<p>4. Mr. Kenyatta Ogeke</p> 	<p>Mr. Kenyatta Ogeke is the Acting Factory Manager. He holds BSc degree in Mechanical Engineering, registered as Graduate Engineer with ERB Kenya and currently pursuing a Master's in Business Administration – Operations Management with Masinde Muliro University. He also holds a certificate in Sugar Manufacture from RASITC, Mauritius. He has over 30 years' experience in the Sugar industry.</p>

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<p>5. CPA. Peter Simiyu</p> 	<p>CPA Peter Simiyu is the Acting Finance manager. He holds Masters of Business Administration and Bachelor's Degree in Commerce. He is a Certified Public Accountant (K) and a member of ICPAK. He has over 30 years' experience in the sugar industry.</p>
<p>6. Ms. Edwina A Omollo</p> 	<p>Ms. Edwina Omollo is the head of Sales and Marketing. She holds a Bachelor Degree in Business Administration. She holds various certificates in sales and marketing. She has over 15 years' experience in sales and marketing.</p>
<p>7. Ms.Damaris Shikanga</p> 	<p>Ms.Damaris Shikanga is currently Acting Information Communication & Technology Manager. She has over 20 years' experience in information systems and data security.</p>
<p>8. Mr.Stanley Juma</p> 	<p>Mr. Stanley Juma is the Acting Agriculture Manager. He holds a degree in Agriculture from the University of Nairobi and a certificate in Sugarcane Agronomy (RASITC-Mauritius). He was seconded to AFA Sugar Directorate from 2016 to 2022. He has over 30 years' experience in the field of agriculture.</p>
<p>9. Ms. Florence Mutinda</p> 	<p>Ms. Florence Mutinda is the Acting Public Relations Manager. She holds a Bachelor of Arts Degree in mass media and communications. She is a member of the Public Relations Society of Kenya (PRSK) and has been serving in the Partnership and fundraising committee of the society since 2017. She has over 13 years' experience.</p>

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<p>10. Mr. Shadrack Masinde</p> 	<p>Mr. Shadrack Masinde is currently Ag. Human Resource Manager. He is holder of Bachelor of Arts degree in Government and Public Administration. Member of CHRM. He has over 20 years' experience.</p>
<p>11. Mr. Erick Makutwa</p> 	<p>Mr. Erick Makutwa is the acting Procurement Manager with over 15 years' experience gained across different sectors. He holds a Degree in Supply Chain Management and a Professional Diploma in CIPS level 6. He is a full member of the Kenya Institute of Supplies Management (KISM) and an Associate Member of the Chartered Institute of Purchasing and Supplies-UK (CIPS).</p>
<p>12. CPA Lucas A Otene</p> 	<p>CPA Lucas Alwala Otene is the head of Internal Audit, He holds a master of Business Administration and Bachelor's degree in Business Administrations. He is a Certified Public Accountant (K) and a member of ICPAK. He has over 20 years' experience.</p>
<p>13. Mr. Benson W Khwatenge</p> 	<p>Mr. Benson Wafula Khwatenge is the Quality Assurance Officer. He holds Bachelor of Law Degree LLB, post graduate Diploma in Law and currently undertaking master's programme MBA. He has over 21 years' experience in Legal matters.</p>

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CHAIRMAN'S STATEMENT

On behalf of the board of directors and management of the company allow me to present to you the annual report on the business and operations of the company and financial results for the year ended 30 June 2024. The performance of the company has continued to be impacted negatively by key industry challenges namely; lack of mature cane for milling, cane poaching, high cost of production and massive importation of sugar which impacted negatively on sugar prices. Consequently, a negative result has been recorded once again. However, the Board and Management have put in place measures and continue to implement strategies aimed at reversing this trend.

INTERNATIONAL SUGAR MARKET

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

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

Local Sugar Markets

Total sugarcane milled in June 2024 increased by 31% to 887,602 MT from 679,308 MT recorded the previous month. All sugar mills with the exception of Butali, KISCOL and Busia registered improved performance. Overall improvement was further boosted by the resumption of Milling at the Sukari and Transmara mills, following closure for factory maintenance. Sugar made increased by 35% to 75,685 MT in June from 56,246 MT in May 2024. The industry average cane to sugar ratio (TC/TS) improved to 11.73 in June from 12.08 in the May 2024.

Cumulative sugarcane milled in the year under review was 6,635,994 MT, up 34% from 4,379,756 MT recorded the same period last year.

Total sugar produced (bagged) by all factories increased by 26% to 430,074 MT from 318,254 MT the same period last year.

In June 2024, molasses production increased by 27% to 34,172 MT from 26,937 MT in May 2024. Cumulatively, molasses produced in the year under review was 156,979.9 MT, an increase of 23% from the previous year.

Source: *Sugar Directorate Sugar Market Newsletter*

Dividends

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

Future Outlook

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

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


Hon. Alfred Khang'ati
Chairman, Board of Directors

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MANAGING DIRECTOR'S REPORT

On behalf of management I present to you the Management Report on the business and operations of the Company and financial results for the year ended 30th June, 2024.

Details- Months	Actual (Tons)-30 th June 2024	Target (Tons)	Previous Year (30th June 2023)	Variance between actual & Budget 2023/24	%
Factory Milled - 12	162,294.41	300,000	161,946.12	(137,705.59)	(45.9)
Turnover Volumes - 12 Months	10,264.18	56,364	11,011	(46,099.8)	(81)
Sugar Price Av. (12 Months-Kes per Ton)	107,813	89,224	108,917	18,589	20.8
TC/TSA Average. (12 Months)	15.96	11.04	14.67	(4.92)	(2.24)

Management still remains optimistic and focused in turning around the company performance by putting measures in place to ensure cane availability and efficiency in the milling process.

INTERNATIONAL SUGAR MARKET

Guatemala sugar exports are forecast to drop 2 percent in 2024/25 to 1.4 million tons as a result of reductions in sugar production due to El Niño. Guatemala's national sugar policy is also a factor, mandating that all domestic consumption demands are met prior to exports occurring. In 2024/25 the forecast for sugar production is down 4 percent to 2.4million tons, on lower sugarcane yields caused by unfavourably dry weather from May to July despite higher harvested area.

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

2023/2024 Sugar Overview

U.S. production is forecast up marginally to 8.4 million tons. Imports are forecast down based on projected quota programs set at minimum levels consistent with World Trade Organization and free-trade agreement obligations, and on projected imports from Mexico, re-exports, and high-tier tariff imports. Consumption is practically unchanged while stocks are reduced due to lower imports.

Brazil. Production is forecast 1.5million tons lower but still the second highest on record at 44.0 million tons as less sugarcane is forecast to be available for crushing due to unfavourably dry weather. The sugar/ethanol production mix is expected to favour sugar relative to the previous season going from 49 percent to 51 percent for sugar and from 51 percent to 49 percent for ethanol. Consumption and exports are both forecast unchanged.

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

India production is estimated up 500,000 tons to 34.5 million on higher yields with the planting of early maturing varieties. Consumption is anticipated to be up to meet demand during festivals and growth in pre-packed foods, sugar, and confectioneries, and catering services. Imports are forecast higher as the growth in consumption is expected to exceed the growth in production. Exports are down slightly on the

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likelihood that the government maintains export caps to meet domestic food consumption and sugar to ethanol diversion for the Ethanol Blending Program.

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

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

China Production is up 500,000 tons to 10.4 million as the area for both sugarcane and sugar beets are expected to rise. Consumption is forecast upon the assumption that consumers pending will increase.

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

Local Sugar Markets

Production.

Total sugarcane milled in June 2024 increased by 31% to 887,602 MT from 679,308 MT recorded the previous month. All sugar mills with the exception of Butali, KISCOL and Busia registered improved performance. Overall improvement was further boosted by the resumption of Milling at the Sukari and Transmara mills, following closure for factory maintenance. Sugar made increased by 35% to 75,685 MT in June from 56,246 MT in May 2024. The industry average cane to sugar ratio (TC/TS) improved to 11.73 in June from 12.08 in the May 2024.

Cumulative sugarcane milled in the year under review was 6,635,994 MT, up 34% from 4,379,756 MT recorded the same period last year.

Total sugar produced (bagged) by all factories increased by 26% to 430,074 MT from 318,254 MT the same period last year.

In June 2024, molasses production increased by 27% to 34,172 MT from 26,937 MT in May 2024.

Cumulatively, molasses produced in the year under review was 156,979.9 MT, an increase of 23% from the previous year.

Sugarcane Prices

The price of sugarcane for the month of June 2024 as determined by the Sugarcane pricing Committee was Ksh 5,125 per tonne, a revision from Ksh. 5,100 the previous month. Millers have adhered to the recommended minimum price

Ex-Factory Sugar Prices

The weighted ex-factory sugar price for June 2024 dropped to Ksh 5,641 from Ksh 5,925 per 50 kg bag in May, and Ksh 5,738 /50kg bag in April 2024.

The average daily ex-factory price at the beginning of June 2024 was Ksh 5,767 per 50kg bag and dropped consistently, reaching a low of Ksh 5,540 per 50kg bag in the last day of the month.

The ex-factory price range for the month of June 2024 was between Ksh 5,200 and 6,200 per 50 kg bag.

Sugar Sales

Sugar sales similarly increased by 8% in June to 61,660 MT from 57,030 MT in May 2024, attributed to improved production of sugar and a receptive market. Cumulative sugar sales for year by all factories totaled to 531,331 MT, exceeding the previous year by 19%(430,378 MT).

Molasses sales in June 2024 dropped by 18% to 29,618 MT from 36,266 MT in the previous month. Cumulatively, the industry sold 156,226 MT in the year under review.

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Stocks.

The closing stocks of sugar held by all factories at the end of June and May 2024 were 34,022 MT and 20,215 MT, respectively

Total closing stocks of molasses as at the end of June 2024 were 33,425 MT up 14% from 29,398 MT in May 2024

Sugar Export

In June 2024, total sugar exports were 67.96 MT, an increase from 20.51 MT exported the previous month. Kenya is a net sugar deficit country, and most of its production is consumed locally.

Sugar Imports

Sugar imports in June totaled 27,804 MT up 32% from 21,118 MT imported the previous month, May and 35,763 MT imported in April 2024.

In June 2024, the imports comprised of 16,972 MT Table sugar and 10,832 MT White Refined sugar. COMESA FTA countries supplied 3,556 MT of sugar, while 7,046 MT was sourced from the EAC, specifically from Uganda. The balance of 17,202 MT was imported from non-COMESA countries

CIF Value

In June 2024, CIF Mombasa landed values for imported White Refined Sugar averaged Kshs 93,159/tonne compared to Kshs 83,909 /tonne for Mill White/Brown sugar. The overall average

value for both White Refined and Mill White/Brown sugar in June 2024 was Kshs 87,512 per tonne, down from Kshs 93,314 /tonne recorded in May 2024. Approximately 25% of the sugar imported in June was Mill White/Brown from Uganda with an average CIF value of Ksh 85,407 per tonne.

India and Saudi Arabia were the cheapest source of White Refined sugar, with a mean CIF value of Kshs 84,792/tonne and Ksh 84,809/tonne respectively. Mill White/Brown sugar imports from India were the cheapest with an average CIF price of Kshs 82,428/tonne

Source: Sugar Directorate Sugar Market Newsletter

Global Economic outlook in 2024

Global growth, estimated at 3.2 percent in 2023, is projected to continue at the same pace in 2024 and 2025. The forecast for 2024 is revised up by 0.1 percentage point from the January 2024 *World Economic Outlook (WEO) Update*, and by 0.3 percentage point from the October 2023 WEO. The pace of expansion is low by historical standards, owing to both near-term factors, such as still-high borrowing costs and withdrawal of fiscal support, and longer-term effects from the COVID-19 pandemic and Russia's invasion of Ukraine; weak growth in productivity; and increasing geo-economic fragmentation. Global headline inflation is expected to fall from an annual average of 6.8 per- cent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies.

The latest forecast for global growth five years from now—at 3.1 percent—is at its lowest in decades. The pace of convergence toward higher living standards for middle- and lower-income countries has slowed, implying persistence in global economic disparities. The relatively weak medium-term outlook reflects lower growth in GDP per person stemming, notably, from persistent structural frictions preventing capital and labour from moving to productive firms. This indicates how dimmer prospects for growth in China and other large emerging market economies, given their increasing share of the global economy, will weigh on the prospects of trading partners.

Risks to the global outlook are now broadly balanced. On the downside, new price spikes stemming from geopolitical tensions, including those from the war in Ukraine and the conflict in Gaza and Israel, could, along with persistent core inflation where labour markets are still tight, raise interest rate expectations and reduce asset prices. A divergence in disinflation speeds among major economies could also cause currency movements that put financial sectors under pressure. High interest rates could have greater

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cooling effects than envisaged as fixed-rate mortgages reset and households contend with high debt, causing financial stress.

Inflation could fall faster than expected amid further gains in labour force participation, allowing central banks to bring easing plans forward. Artificial intelligence and stronger structural reforms than anticipated could spur productivity. As the global economy approaches a soft landing, the near-term priority for central banks is to ensure that inflation touches down smoothly, by neither easing policies prematurely nor delaying too long and causing target undershoots. At the same time, as central banks take a less restrictive stance, a renewed focus on implementing medium-term fiscal consolidation to rebuild room for budgetary manoeuvre and priority investments, and to ensure debt sustainability is in order. Cross-country differences call for tailored policy responses. Intensifying supply-enhancing reforms would facilitate inflation and debt reduction, allow economies to increase growth toward the higher pre-pandemic era average, and accelerate convergence toward higher income levels. Multilateral cooperation is needed to limit the costs and risks of geo-economic fragmentation and climate change, speed the transition to green energy, and facilitate debt restructuring.

Source: *World Economic Outlook Update 2024*

Kenya Economic outlook in 2024

Kenya's growth is projected to reach 5.2% on average during 2024-2026, mainly driven by the private sector as business confidence strengthens and the public sector continues to scale back. Kenya's growth is also expected to benefit from the implementation of the recently signed trade agreements under the European Union Economic Partnership Agreement, African Continental Free Trade Area.

Although the economic outlook is broadly positive, it is subject to elevated uncertainty. The failure to achieve fiscal consolidation targets could exacerbate Kenya's debt vulnerabilities, especially due to the high-debt service repayments. Climate hazards could resume inflationary pressures and food insecurity, affecting growth. Lower than anticipated growth in developed countries could undercut ongoing recovery in tourism, exports, and remittances. Elevated commodity prices would further tighten financial conditions, weaken external balances, and impact inflation.

In addition to aligning the country's long-term development agenda to Kenya's Vision 2030—which aims to transform Kenya into a competitive and prosperous country with a high quality of life—the government's bottom-up economic model prioritizes agriculture, healthcare, affordable housing, micro and small enterprises, and the digital and creative economy.

<https://www.worldbank.org/en/country/kenya/publication/kenya-economic-update>

FINANCIAL PERFORMANCE

On Financial performance, the following parameters were recorded;

Details	12 Months Actual (Kes)	12 Months Target (Kes)	Previous Year (30th June 2023)	Variance of Actual Budget	%
Total Turnover (Net)	1.17B	5.2 B	1.3 B	(4.03)B	(77.5)%
Sugar Sales (Net)	1.1B	5.0 B	1.2 B	(3.9)B	(78)%
Molasses Sales (Net)	62.7 M	192 M	113 M	(129.3)M	(67.34)%
EBIT(Kes-Million)	(1,178)B	184M	(3,276)B	(1,362)B	(740)%

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Achievements for the Twelve months ended 30th June, 2024 are as follows:

- On 14th September 2023, the National Assembly approved the Action Plans to revive and commercialize State Owned Sugar Companies as communicated vide Certificate No.039/13th /2023. These included the write off of Government owned loans and KRA taxes, approval to pay farmers and workers arrears. This is a major win for the company as it will help clean the balance sheet and clear long outstanding arrears.
- Successful factory startup after the Agriculture and Food Authority - Sugar Directorate allowed the resumption of milling from 1st December 2023 after the shutdown of factories at half capacity of 1500 tons per day which later increased to 2500 tons.
- The company received support from the Government of Kenya through ADC to carry out cane development in the Nucleus Estate, a total of 404.84 hectares were ploughed, harrowed, furrowed and fully planted.
- Purchased 638 bags of subsidized fertilizer and all of it was used for application in nucleus estate.
- The Company developed and approved a five-year strategic plan for (2023-2028)
- The company maintained industrial harmony despite the difficult operating environment.

Challenges for the period under review were as follows:

- Cash flow constraints delayed acquisition of fertilizers in the Nucleus Estate to improve on cane yields that are below target of 55 TCH.
- Delayed payments of staff, suppliers and farmers.
- High cost of production due to low production volumes, fixed costs and inflationary pressures.
- Cane transport contractors and staff exits.

WAY FORWARD

The company plans to counter the various challenges as follows: -

a) **Short term measures**

<u>MEASURE</u>	<u>ACTION</u>	<u>LEVEL OF ACTIVITY</u>	<u>RESPONSIBILITY</u>
Targeted maintenance to improve efficiency	Paid for Boilers pumps, two Mill rollers & Parts for Gantry crane. One Cane stacker fitted new engine, Hydraulic pump paid	20% 100%	Factory Manager
Cost optimization Measures implementation	All departmental heads have rationalized the casual labour, controlled OT & paper work use in their departments	60%	ALL HODS
Expand area under cane with early maturing cane in both nucleus & OG	N/E planted total of 509.79 ha of early maturing OG Recruited 620.65	13% 35%	Agriculture Manager
Proposal to Sale of 19,000 trees from 81.2 Ha worth Kes. 53 M .	Valued, advertised & awarded Kes.264,420 Re-advertised for the unsold trees	50% 10%	Procurement Manager & Agriculture Manager

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	worth Kes.52.7 M		
Revenue diversification by intercropping Soya with Cane	This has not been undertaken due non- availability of seeds	0%	Agriculture Manager
Enhance farmers extension services on latest technology in Cane development	This was undertaken through public barazas, individual farm visits:- 3426 farmers visited so far in the financial year	50%	Agriculture Manager
Source for individual contractors & repair of our fleet	Recruited 75 individual contractors	70%	Agriculture Services Manager
	Repaired a total of 5 company fleet.	20%	
Staff rationalization & implementation of HR instruments	Staff rationalization done.	40%	Human Resource Manager
	Development & approval of HR Instruments	95%	
Effort to improve cane productivity in nucleus estate	There has been enhanced cane planting, maintenance (herbicides procured) and supervision.	55%	Agriculture Manager

Long term Measures

<u>MEASURE</u>	<u>ACTION</u>	<u>LEVEL OF ACTIVITY</u>	<u>RESPONSIBILITY</u>
Cost optimization	Cost optimization across value chain to reduce on cost of production. At least 15% cost efficiency per annum	40%	ALL HODS
Factory modernization	Major maintenance to be undertaken during the year 2024/2025 to increase capacity utilization. 15% per annum and maintain average TC/TS ratio below 12 per annum	0%	Factory Manager
Area under Cane	Increase the area under cane in the nucleus to reduce on fallow land. TCH of 70 per annum	60%	Agriculture Manager

CPA EZRON KOTUT
MANAGING DIRECTOR

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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

The company has six Key Result Areas (KRAs) and objectives within its Strategic Plan 2023/2024-2027/2028. These KRAs are as follows:

- KRA 1: Increase capacity utilization by at least 15% p.a.
- KRA 2: Maintain average TC/TS ratio below 12 p.a.
- KRA 3: Attain average TCH of 65 (O.G) and 70(N.E) p.a.
- KRA 4: Grow annual revenue by at least 15%
- KRA 5: Attain at least 15% cost efficiency p.a.
- KRA 6: Build high performance productive teams

Analysis of achievement of performance targets for the FY 2023/2024

<u>Strategic Pillar</u>	<u>Strategic Objective</u>	<u>Key Performance Indicator</u>	<u>Key Activity</u>	<u>Key Achievements</u>
KRA 1: Increase capacity utilization by at least 15% p.a	Develop and maintain at least 25,000 ha of cane p.a Develop and implement viable farmer support program Implement effective routine and annual factory maintenance and modernization	Increased cane harvest/supply	Develop dedicated sugarcane development team and partner with farmer stakeholders Synchronize harvesting and milling schedules Balance use of own transport fleet and leased fleet Model optimum factory maintenance schedule.	A total of 509.79 ha of early maturing cane was planted in the nucleus estate and 620.65 ha in the out-growers region. Individual farm visits were undertaken where 3,426 farmers visited in the financial year 2023/2024 75 individual contractors recruited and 5 company fleet repaired. Paid for boiler pumps, two mill rollers and parts for Gantry crane
KRA 2: Maintain average TC/TS ratio below 12 p.a.	Consistent supply of adequate quality raw materials to be milled within 48 hours. Minimize unplanned factory stoppages, extraneous matter, eliminate factory related leakages and maintain optimum factory time	Increased factory efficiency	Develop dedicated sugarcane development team and partner with farmer stakeholders Synchronize harvesting and milling schedules Maintain factory in optimum working conditions	Individual farm visits were undertaken where 3,426 farmers visited in the financial year 2023/2024 75 individual contractors recruited and 5 company fleet repaired. Paid for boiler pumps, two mill rollers and parts for Gantry crane

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	efficiency.			
KRA 3: Attain average TCH of 65 (O.G) and 70(N.E) p.a.	Increased farm yield	High farm productivity	Enhance farmer agriculture services support Plant commercialized high yield cane varieties Maintain approved weed control schedules Enhance agriculture extension services to farmers	Individual farm visits were undertaken where 3,426 farmers visited in the financial year 2023/2024 A total of 509.79 ha of early maturing cane was planted in the nucleus estate and 620.65 ha in the out-growers region. Sencor and round up herbicides were procured and used in the control of weeds Outreach offices were fully operational, field officers served farmers directly from the farmers and out-grower regions.
KRA 4: Grow annual revenue by at least 15%	Optimum utilization of nucleus estate. Factory efficiency, competitively price products and services, partner with other stakeholders. Attain marketing and sales efficiency	Increased sugarcane production, factory efficiency time and revenue	Benchmark nucleus estate operations to regional best practices Maximize sugar recovery efficiency Monitor market price Identify and tap pockets of growth	A total of 509.79 ha of early maturing cane was planted in the nucleus estate. Repair of branding machine initiated to grow the branded percentage to 40%.
KRA 5: Attain at least 15% cost efficiency p.a.	Reduce and effectively manage all operational costs Effectively use Public Private Partnership	Increased cost efficiency	Use value for money measures in all operations Acquire and install modern plant	All departmental heads have rationalized casual labor, controlled overtime and paper work in their departments.

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KRA 6: Build high performance productive teams	<p>Enhance board capacity</p> <p>Implement structured staff training and development</p> <p>Reward and recognize productive teams</p>	Increased operational efficiency	<p>Institute annual work plans</p> <p>Cascade annual operations to departments and individual employees</p> <p>Develop team and individual reward and recognition policy</p>	<p>Board workplans developed and the board was evaluated during the year 2023-2024.</p> <p>Development and approval of the human resource policy instruments ongoing.</p>
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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Nzoia Sugar Company Limited (hereinafter Nzoia Sugar Company Limited) is responsible for the governance of the company and is accountable to shareholders and stakeholders in ensuring that the Company complies with the laws and highest standards of business ethics and corporate governance. Accordingly, the Board attaches high importance to generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Appointment of Board Members

The relevant appointing authority shall select and appoint Board members by name and by notice in the Kenya Gazette and which maybe renewable after three years or for such shorter period as may be specified in the notice.

Cessation from membership of the Board

- I. Membership of the Board ceases if a member:
 - a. Serves the appointing authority with a written notice of resignation; or
 - b. Is absent, without permission of the Chairperson, from three consecutive meetings; or
 - c. Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
 - d. Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
 - e. Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.
- II. Any removal of a Board member under (I) above shall be through formal revocation.
- III. A director whose membership has ceased in accordance with para. I. (c) and (e) is not eligible for appointment to any Board thereafter.
- IV. The Company Secretary will ensure that a record of the appointment letter, gazette notice and written acceptance by the Board member is kept in the personal file of the Board member.

Board of Directors

The role and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined. The Board comprises of eleven (11) Directors nine (9) of whom are non-executive directors including the Chairman. Alternate Directors for the parent ministry and National Treasury also sit in the Board. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues.

In line with the provisions of Mwongozo code of conduct, the Board of Directors strived to ensure that the Company complies with the provisions of the constitution and all applicable laws, regulations, codes and applicable standards. The Board has put in place internal procedures and monitoring systems to promote compliance with strategic objectives of the Company and submit compliance reports on all statutory obligations to the respective Government Departments/Agencies within the specified timelines.

In further compliance with provisions of Mwongozo code of conduct, the Board did establish the requisite Board Committees chaired by members with requisite qualifications and experience (for such committees) so as to ensure that the overall strategic objectives of the Company are achieved.

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CORPORATE GOVERNANCE STATEMENT.....Continued

Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Company and assumes responsibilities for effective control over the Company.

The Company, being a State Corporation, the Inspector General of State Corporations attends both Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

The Company Secretary attends all Committee and Board meetings. Her role is to advise the Board on all corporate governance matters as well as prevailing statutory requirements coupled with taking minutes at Board meetings/functions.

Nzoia Sugar Company is established by and derives its authority and accountability from the State Corporations Act Cap 446 and the Company's Act Cap 486 of 2015 of the laws of Kenya.

The Board of Directors, duly cognizant of its role in safeguarding shareholders' assets and ensuring a suitable return on investment, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability. The Board has a board charter that outlines the structure, duties, procedure and the standard of service delivery. The company is committed to maintaining the highest standards of integrity, professionalism and business ethics in all its operations. The company has a code of ethics which gives senior management the responsibility of ensuring legal and statutory compliance. In addition, the Code deals with situations relating to best practices as well as those situations that may give rise to conflict of interest in the conduct of business.

Board Meetings

The Board holds meetings on a regular basis as per approved Board calendar. Special meetings are called when it is deemed necessary to do so in order to handle an urgent matter that cannot otherwise await a normal Board meeting.

Committees of the Board

The Board setup the following Board committees which meet under well-defined terms of reference set by the Board. This was intended to facilitate efficient decision making of the Board in the discharge of its mandate and obligations.

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CORPORATE GOVERNANCE STATEMENT.....Continued

BOARD COMMITTEES

Name of the Committee	Members
Finance and Establishment Committee	i) Hon. Bonface Okhiya Otsiula -Chair ii) Mr. Okwakau Ino Jonathan - Member iii) Mr. Richard Njoba - Member iv) Ms. Millicent Anyango - Member v) Ms. Carolyne Temoi - Member vi) Treasury representative - Member vii) Ms. Theodora Gichana - Member
Human Resource and Administration Committee	i) Mr. Kwakau Ino Jonathan - Chair ii) Bishop Patrice Chumba - Member iii) Ms. Carolyne Temoi - Member iv) Mr. Daniel Muimi - Member v) Hon. Bonface Okhiya Otsiula - Member vi) Mr. Protus Wanyonyi Khisa - Member vii) Ms. Theodora Gichana - Member
Business Development Committee	i) Ms. Millicent Anyango Abudho - Chair ii) Mr. Benson Chahasi - Member iii) Ms. Elizabeth Mudukiza - Member iv) Mr. Richard Njoba - Member v) Mr. Protus Wanyonyi Khisa - Member vi) Ms. Theodora Gichana - Member
Audit and Risk Committee	i) Mr. Daniel Muimi - Chair ii) Bishop Patrice Chumba - Member iii) Ms. Elizabeth Mudukiza - Member iv) Mr. Benson M. Chahasi - Member v) Treasury representative - Member vi) Ms. Theodora Gichana - Member

Schedule of meetings held during the period

Main Board	Ordinary	1
	Special	2
BDC	Ordinary	1
	Special	0
HR & A	Ordinary	2
	Special	1
F& EC	Ordinary	1
	Special	0
Audit	Ordinary	1

Note: The Board was appointed on 17th February, 2023.

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MANAGEMENT DISCUSSION AND ANALYSIS

1. AGRICULTURE DEPARTMENT

A summary of the achievements for the 12 months from 1st July 2023 to 30th June 2024

PERFORMANCE PARAMETERS	ACTUAL			TARGET			2022/2023	VARIANCE of Actual & Budget	%
	12 MONTHS 2023/24			12 MONTHS 2023/24					
	OG	N/E	TOTAL	OG	N/E	TOTAL	TOTAL		
Area under cane (Ha)	14,869	2143	17,012	15,100	3,400	18,500	17,467.19	(1,488)	(8.04)%
Cane Planting (Ha)	620.65	509.79	1,130.44	1,000	600	1,600	462.79	(469)	(29.34)%
DAP (50 Kgs Bag)	0	12	12	1,250	5,000	6,250	0	(6,238)	(99.81)%
UREA (50 Kgs Bag)	0	638	638	1,250	5,000	6,250	0	(5,612)	(89.79)%
Mean cane Yield (TCH)	55.18	32.35	50.81	60.00	50.00	55.00	49.7	(4.19)	(13.13)%

i. Area under cane

The total area under cane of 17,012 Ha was below target due to reduced cane planting arising from inadequate funds for cane development specifically in the out growers and abandonments by farmers.

ii. Cane Planting

During the quarter, a surface of 215.89 Ha was surveyed and 272.14 Ha was recruited awaiting survey totalling to 488.03 Ha in the Out growers while in the Nucleus Estate a surface of 7.70 Ha was planted.

The cumulative surface of 509.79 Ha was planted in the Nucleus Estate as at 30th June, 2024 against a target of 500.00 Ha. In the Out growers, a surface of 620.65 Ha for growing cane developed by farmers and company was surveyed against a target of 1,000.00 Ha.

iii. Fertilizer

During the quarter, the company was registered and allowed to access subsidized fertilizer from National Cereals and Produce Board at a subsidized cost of Kes.2500 per bag of 50 kg. Nzoia was allowed 17,000 bags of planting and 17,000 bags of top-dressing fertilizer. Cash flow challenges didn't allow redeeming of the quotas allocated.

iv. The overall targeted cane yield of 55 TCH

The overall targeted cane yield of 55.00 TCH was not achieved due to harvesting of cane that was not supplied with fertilizer.

v. Way forward

- Source for additional resources for enhanced cane development both in the Nucleus Estate and Out-growers.
- For sustainable cane supply, prompt payment of farmers is key and timely payments of Nucleus Estate weeders will motivate them for continued services.
- Intensify cane planting
- Allocate adequate resources to reduce fallow surface in the Nucleus

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2. FACTORY DEPARTMENTS

In the period under review from 1st July 2023 to 30th June 30th 2024, the company milled 162,294.41 tons of cane against a target of 300,000 tons resulting to a negative variance of 137,705 tons of cane and produced 10,406.07 tons of sugar worth Kes.986,785,857.68 against a target of 27,182 tons worth Kes.2,577,614,696 giving a negative variance of 16,776 tons worth Kes1,590,834,528. The TC/TS averaged 15.96 against a target of 11.04 giving a negative variance of 4.92.

a. 12 MONTH KEY PERFORMANCE INDICATORS FOR 2023-2024

Parameter	Actual 2023/2024	Target	Actual 2022/2023	Variance of Actual & Budget	%
Cane Milled (Tons)	162,294.41	300,000	161,946.12	(137,706)	(45.90)%
Sugar Bagged (Tons)	10,406.07	27,182	11,005.89	(16,776)	(61.72)%
TC/TS	15.96	11.04	14.67	(4.92)	(44.57)%
Factory Time Efficiency	54.94	86.00	42.45	(31.06)	(36.12)%
Pol in Cane (%)	10.32	11.50	10.04	(1.18)	(10.26)

b. PERFORMANCE

- i. Cane milled and sugar bagged for the period under review were below target due to;
- Lack of critical spares for replacement of worn out equipment affecting factory time efficiency and sugar recoveries
 - Lack of cane in the yard for milling.
 - Low pol in Cane

AREAS OF CONCERN IN THE FACTORY

- Cane feeding and back feeding devices are worn out. Overhead crane motors weak due to frequent rewinding and lack of cane stacker.
- Boiler water feed pump failure. Weak worn-out pumps having frequent failures. High risk area
- Lack of turbine and Centrifugal spares leading to high risks
- Worn out Sugar boiling vacuum pans causing poor/slow boiling affecting Sugar quality and recovery.
- The various valves and pipes are worn out
- Exiting staff due to retirement.

c. WAY FORWARD

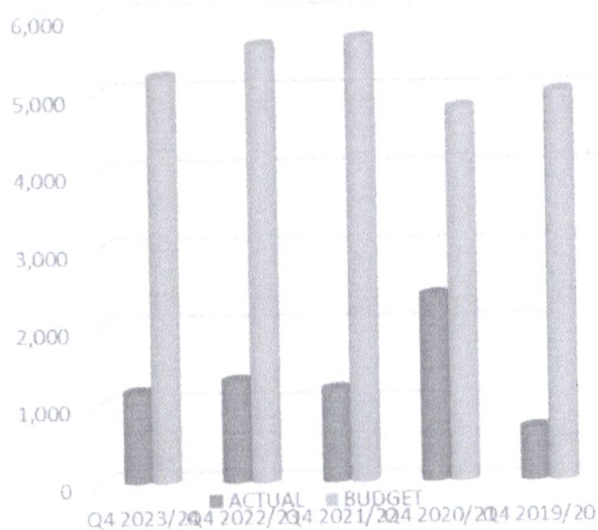
- To undertake on the run maintenance in weak areas of high risks to operations.
- To undertake complete annual maintenance in as soon as possible.
- To procure and avail the critical spares/materials and replace the worn-out equipment to improve performance/efficiency.

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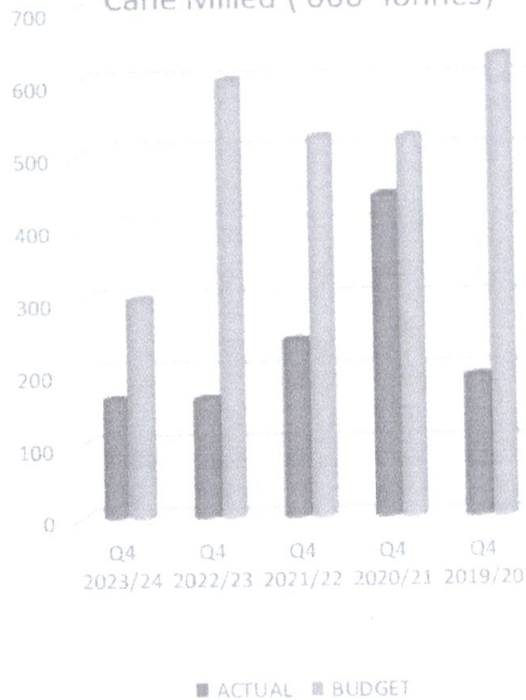
MANAGEMENT DISCUSSION AND ANALYSIS.....Continued

PERFORMANCE HIGHLIGHTS

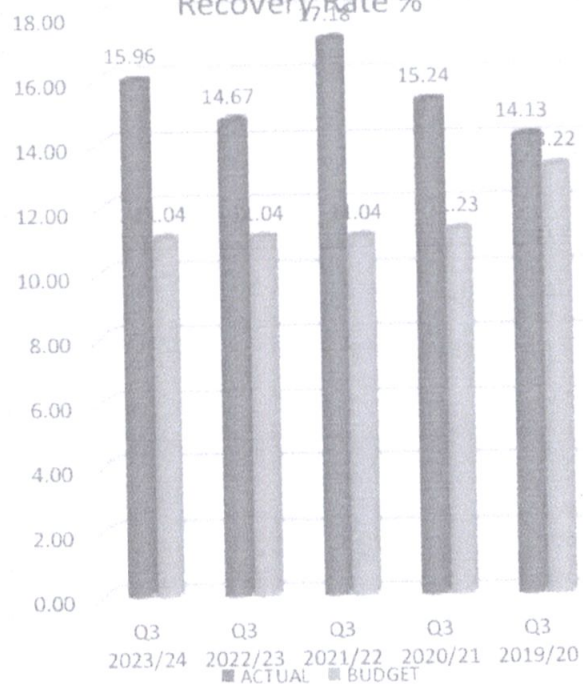
Net Turnover (Kes.Billions)



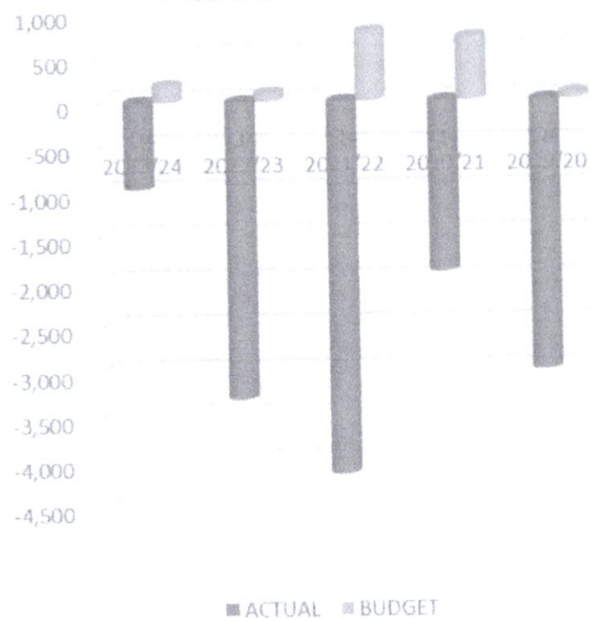
Cane Milled ('000' Tonnes)



Recovery Rate %



EBIT (Kes. Millions)



ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Environmental and Sustainability Reporting is the disclosure and communication of environmental, social and governance (ESG) goals as well as a company's progress towards them. Corporate Social Responsibility (CSR) is the continuous commitment by the company to behave ethically and contribute to the economic development while improving the quality of life of the work force, their families as well as the local community and society at large.

Source: World Business Council of Sustainable Development-WBCSD.

Through ESG activities, Nzoia Sugar Company has been able to enjoy mutually beneficial relationships with the community and the environment around it. The company has a Corporate Social Responsibility Policy in place that guides the selection, approval and implementation process of all CSR projects and is developing an ESG policy to widen the scope.

a) Sustainability strategy and profile

The company has deployed resources for the development of departmental business continuity plans. This gave assurance that the company shall be able to continue operations and restore services in the event of a disaster that damages its assets and infrastructure. The company has a data centre that is used for data back up to ensure staff are able to access their data in case of disaster or emergency.

b) Environmental performance

The company has always conserved the environment by planting trees and donating tree seedlings to schools to plant during annual tree planting exercises, during the year 39,755 trees were planted. Furthermore, we sell tree seedlings to our farmers and the surrounding community at subsidized prices. The Company donated 1200 tree seedlings to various institutions to plant in their various institutions.

c) Employee welfare

The Company has a Human Resource policy that subscribes to the tenets of the public service values and principles in the recruitment of staff, as provided in Article 232 of the constitution. Staff are subjected to a fair performance appraisal whose output, amongst other aspects, is the identification of areas of improvement and training.

The company is in conformity with the requirements of the Occupational Safety and Health Act of 2007, (OSHA,2007).

The gender ratio of Male to Female as at 30th June 2024 was 69% to 31%.

d) Market place practises

Responsible competition practice.

The company has a pricing committee for its main products sugar and molasses. The committee ensures that the company products are sold at the best market price and the process has checks and balances to weed out any corruption and unfair competition.

Responsible supply chain and supplier relations

The company strives to maintain good business practices by ensuring that honours contracts and communicates with the suppliers in case of delayed payments.

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Responsible marketing and advertisement

The company advertises its products on well known online platforms like the Nzoia website, Facebook, WhatsApp, main stream print and mass media that are well regulated. This ensures that the company reaches a large market platform and informs all customers about its products and services without discrimination.

Product stewardship

The company products are produced in a clean and safe environment to the satisfaction of all stakeholders. The products are checked at various stages of production to ensure the quality is acceptable and fit for human consumption.

e) Corporate Social Responsibility

Water

The company supplies clean water to the community around through various water points erected in the markets neighbouring the company. In addition, the company also supplies clean water to our farmers for use during funerals upon request and subject to provision of fuel and machinery.

Education

The company has continued to invest in the education sector and this has been underpinned by the recognition that a skilled and high impact talent pool is critical for Kenya's long-term economic development. As a demonstration of the commitment to the education sector, the company is the main sponsor to two primary and two secondary schools in Bungoma County.

Healthcare

The Company has continued to support the community by offering medical services on an emergency basis to the community including provision of Mother to Child Healthcare services and other medical services from the Company Clinic. The company also has a VCT Centre which offers free Counselling and Testing for HIV/AIDS victims.

The Company partnered with Hopkins Crescent Hospital to conduct a medical camp at Sudi Stadium via provision of venue facility. The following health challenges were addressed during the camp; Diabetes, High Blood pressure, Sickle cell anaemia, anti – jigger campaign, and a blood donation drive.

Infrastructure

As part of ESG and subject to availability of machines and funds, the Company supports the infrastructure within its Out growers' zone by grading and gravelling roads.

Youth development and sports

Nzoia Sugar Company is a full sponsor to Nzoia Sugar FC. The team currently plays at the Kenya Premier League. The team employs talented young youths and nurtures them to be great players.

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For the year ended June 30, 2024

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of Nzoia Sugar Company Limited (the "company") for the year ended 30th June 2024, which shows its state of affairs.

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

PRINCIPAL ACTIVITIES

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

PRODUCTION

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

	Sugar bagged	Cane milled	TC:TS
	(Tonnes)	(Tonnes)	
2023/24	10,264	162,294	15.96
2022/23	11,006	161,946	14.67
2021/22	14,240	242,851	16.97
2020/21	28,474	440,266	15.41
2019/20	11,624	193,288	16.99

RESULTS

The results for the financial year ended 30th June 2024 are set out on pages 1 to 48.

	2024 KES 000'	2023 KES 000''
Turnover	<u>1,169,310</u>	<u>1,312,758</u>
Profit/Loss before Interest & Tax	<u>(1,178,221)</u>	<u>(3,276,182)</u>
Profit/Loss after tax	<u>(1,178,196)</u>	<u>(4,165,153)</u>

DIVIDENDS

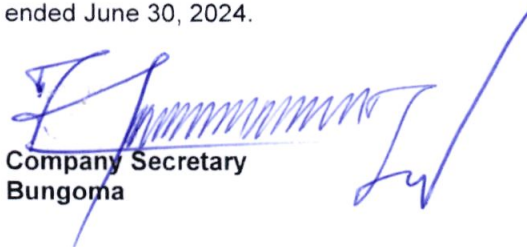
The directors do not recommend a dividend in respect of the year (2023/24– KES Nil).

DIRECTORS

The current directors of the company are listed on page Vi-

AUDITORS

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


Company Secretary
Bungoma

**Nzoia Sugar Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2024**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and State Corporations Act Cap.446 requires the directors 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 its operating results for that year. It also requires the directors 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.

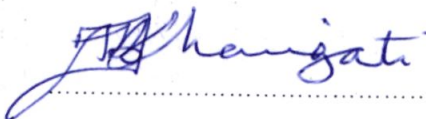
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenya Companies Act, and for such internal financial controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The directors 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 Kenya Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation and of its operating results. The directors 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.

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

Approval of the Financial Statements

The Nzoia Sugar Company Limited Financial Statements were approved 13TH SEPTEMBER 2024 and signed on its behalf by:



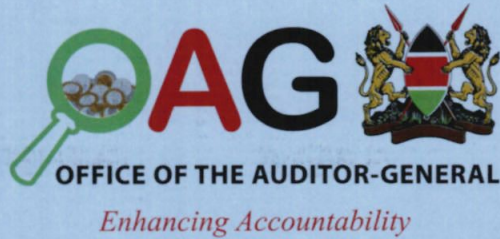
**Hon. Alfred Khangati
Chairman Board of Directors**



**CPA Ezron Kotut
Managing Director**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NZOIA SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nzoia Sugar Company Limited set out on pages 1 to 56, which comprise of the statement of financial position as at 30 June, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nzoia Sugar Company Limited as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.Unsupported Valuation of Biological Assets

The statement of financial position reflects an amount of Kshs.937,083,000 in respect of biological assets which, as disclosed in Note 5 to the financial statements, includes an amount of Kshs.75,720,000, Kshs.260,132,000 and Kshs.64,945,000 in respect to additions at cost, gain arising from changes in fair value attributable to physical changes, and loss arising from changes in fair value attributable to price changes respectively. However, the supporting ledgers for additions, and changes in fair values were not provided for audit review. Further, Management has made a disclosure that valuation of biological assets was based on market price of Kshs.5,125 per ton of sugarcane. However, it was not possible to confirm how planted sugarcane of different ages in the farm could be measured in tones.

In the circumstances, the accuracy and completeness of biological assets balance of Kshs.937,083,000 could not be confirmed.

2.Unsupported Intangible Asset

The statement of financial position reflects a balance of Kshs.142,209,000 in respect of intangible assets and as disclosed in Note 16 to the financial statements. The intangible assets represent an Enterprise Resource Planning (ERP) system which was acquired in March, 2016 at a cost of Kshs.282,600,000. However, as at 30 June, 2024 the

implementation of ERP system was at 80% and a total payment of Kshs.212,800,000 representing 75% of the project cost had been made. Although Note 16 to the financial statements indicates that the ERP has been amortized over the years with amounts totaling Kshs.90,357,000, no explanation was provided on the basis of amortizing an incomplete project. Further, no justifiable explanation was provided for the undue delay in completing the project.

In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.142,209,000 could not be confirmed.

3.Unsupported Deferred Income Tax Liability

The statement of financial position reflects a deferred taxation liability balance of Kshs.3,885,282,000 for both the current and previous financial years and as disclosed in Note 27 to the financial statements. The balance includes deferred tax liabilities amounting to Kshs.4,367,994,000 which in turn includes; accelerated capital allowances of Kshs.1,719,603,000, fair value adjustment of biological assets of Kshs.102,816,000, and revaluation surpluses of Kshs.245,575,000, less realized deferred tax assets amounting to Kshs.482,712,000 which also includes; provision for service gratuity of Kshs.73,184,000, provision for staff leave pay of Kshs.26,741,000, unrealized exchange losses of Kshs.17,214,000, general doubtful debts provision of Kshs.268,633,000, provision for obsolete stocks of Kshs.96,940,000, tax losses available for offset against future profits, and deferred tax assets not recognized of Kshs.5,535,461,000 each. However, the supporting ledgers and supporting documents were not provided for audit review.

Similarly, Note 5 and Note 30 to the financial statements have indicated loss in fair value adjustment of biological assets and reduction in provision for staff leave amounting to Kshs.64,945,000 and Kshs.19,128,000 respectively which do not have an impact on the deferred tax liability.

In the circumstances, the accuracy and completeness of deferred taxation liability balance of Kshs.3,885,282,000 could not be confirmed.

4.Long Outstanding Goods in Transit

The statement of financial position reflects a balance of Kshs.322,401,000 in respect of inventories which, as disclosed in Note 19 to the financial statements, includes a balance of Kshs.268,139,000 relating to consumables out of which Kshs.72,106,497 is in respect of goods in transit. Records available indicate that the goods have been in transit for the last nine (9) years.

In the circumstances, existence and valuation of the inventories balance of Kshs.322,401,000 could not be confirmed.

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

Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a net operating loss of Kshs.1,178,196,000 and a comparative loss of Kshs.4,165,153,000 realized in the previous financial year 2022/2023. In addition, the current liabilities balance of Kshs.4,336,227,000 exceed the current assets balance of Kshs.1,288,135,000 by Kshs.3,048,092,000, which demonstrate that the company is unable to meet its financial obligations as and when they fall due.

Further, the Company had accumulated losses totaling Kshs.4,258,724,000 as reflected in statement of changes in equity. This state of affairs indicates a severe financial challenge facing the Company which raises significant doubt on its ability to operate as a going concern. Management has disclosed the material uncertainty related to going concern in Note 3 to the financial statements and has indicated that there are plans to privatize the Company which will include restructuring of the Company and bring new investors on board.

In the circumstances, the Company is technically insolvent and its continued existence as a going concern is dependent on the financial support from its creditors and the Government.

My opinion is not modified in respect of this matter.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts does not include the total revenue, capital expenditure, a comparison of original and final budget, and budget utilization as a percentage in accordance with the prescribed Public Sector Accounting Standards Board approved financial reporting template.

The statement reflects budgeted revenue amounting to Kshs.5,221,411,000 against actual revenue of Kshs.1,364,497,000 resulting to an under-collection of Kshs.3,856,914,000 or 74% of the budget. Similarly, the statement reflects other

operating income budget of Kshs.46,100,000 against actual loss amounting Kshs.36,423,000 resulting to under-collection of Kshs.82,523,000 or 178% of the budget revenue. Further, it reflects recurrent expenditure budget of Kshs.1,455,929,000 against actual expenditure of Kshs.1,095,254,000 resulting to an under-expenditure of Kshs.360,675,000 or 25% of the budget.

The under-performance affected the planned activities and impacted negatively on the profitability of the company.

2.Idle Investment Property

Included in the balance of non-current assets of Kshs.9,185,074,000 shown in the statement of financial position is a balance of Kshs.303,978,000 relating to investment property which, as disclosed in Note 17 to the financial statements, relates to the Company's residential property situated in Kileleshwa, Nairobi. The property attracts annual land rates of Kshs.112,600 and has a market monthly rental income of Kshs.75,000. However, as reported previously, the property has not been occupied for the last eleven (11) years which translates to loss of rental income totaling to Kshs.9,900,000.

Although attempts were made in 2017 to get approval from the Ministry to develop the property, no evidence was provided of any follow up on the matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the report for the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in use of Public Resources. However, the issues had not been resolved and Management did not provide satisfactory reasons for the delay in resolving the issues.

Other Information

The Directors are responsible for the other information set out on page iii to xxxi which comprise of Key Company Information, Board of Directors, Key Management Team, Chairman's Statement, Managing Director's Report, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors,

Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Low Rendement (Yield) Below the Industry Standard

Note 4 to the financial statements reflects gross sales amounting to Kshs.1,356,400,000. However, records provided for audit indicate that the Company milled 162,294 tons of sugar canes during the year under review to produce 10,406 tons of bagged sugar, resulting in a rendement of 6.4% of the produced sugar. This is below the recommended rendement of 10% as per Regulation 21(a) of the Crop Sugar Regulations, 2020 which provides that the miller shall strive to mill sugarcane efficiently to realize maximum returns for both parties by achieving the following standards; in the case of sugar cane, ton cane/ton sugar ratio of 9 or rendement of 10%.

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

2. Staff Costs

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.759,949,000 in respect of administrative expenses which, as disclosed in Note 9 to the financial statements, includes an amount of Kshs.502,476,000 relating to staff costs.

However, the following unsatisfactory matters were noted:

2.1 Excessive Wage Bill

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.759,949,000 in respect of administrative expenses which, as disclosed in Note 9 to the financial statements, includes an amount of Kshs.502,476,000 relating to staff costs which represents 37% of the total revenue balance of Kshs.1,364,497,000. This was contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that staff costs of a public entity should not exceed 35% of the revenue.

In the circumstances, Management was in breach of the law

2.2 Lack of Ethnic Diversity in Staff Recruitment

Review of the company's staff compliment for the month of June, 2024 shows that five (5) or 38% out of thirteen (13) board members, ten (10) or 71% out of fourteen (14) top management and five hundred and fourteen (514) or approximately 93% out of the five hundred and fifty-four (554) permanent employees, were members of the dominant ethnic community contrary to Section 7 of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and ensure that not more than one-third of its staff are from the same dominant ethnic community.

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

2.3 Failure to Adhere to the One- Third Basic Salary Rule

Review of monthly payrolls revealed that one hundred and sixty-seven (167) employees received a net salary that was less than one third of their basic salary, contrary to the requirements of Section 19(3) of the Employment Act, 2007 which provides that the total deductions from salaries of employees shall not exceed two-thirds of their respective basic salaries.

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

2.4 Avoidable Cost Related to Suspension of Employee

Included in Note 9 to the financial statements are administrative expenses of Kshs.759,949,000, which includes legal and professional fees amount of Kshs.13,311,000, which in turn include an amount of Kshs.7,601,400 paid to a former managing director who was appointed in the year 2016 for period of 3 years. However, the managing director was suspended due to allegations of corruption and paid half salary entitled to the position of finance manager. The Court decree of 9 January, 2024 states

that the payment of salary was unfair and ordered the Company to pay plaintiff a terminal due totaling to Kshs.7,601,400 as cost of suite and interest.

In the circumstances, the Board's failure to follow due process of termination of employment contract led the Company to incur avoidable cost awarded to plaintiff by the Court.

3.Failure to Remit Statutory and Other Deductions

Review of supporting ledgers to Note 28 to the financial statements in respect to trade and other payables balance of Kshs.3,941,623,000 revealed unremitted statutory and other deductions including National Social Security Fund, National Hospital Insurance Fund, Pension and Pay as You Earn (PAYE) amounting to Kshs.998,001,002. This was contrary to the provisions of Section 37(1) of the Income Tax Act and Sections 5 and 6 of the Business Laws (Amendment) Act, 2021.

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

4.Non-Compliance with Executive Order on Procurement

During the year under review, the company procured goods and services outside e-procurement since bid documents were issued and delivered manually contrary to Presidential Executive Order on Procurement of Public Goods and services that requires that all public procurement will be undertaken through the electronic platform of the Integrated Financial Management Information System (IFMIS).

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Carry Out Annual Performance Appraisal of Internal Audit unit

During the year under review, the Company audit committee did not carry out annual performance appraisal of internal audit unit in order to evaluate its effectiveness, and there did not exist a documentary evidence of the annual report forwarded to The National Treasury as required by Regulation 166(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that each year the internal audit unit of a national government entity shall assess its own effectiveness through an internal performance appraisal and shall carry out annual review of the performance of the internal audit activity commenting on its effectiveness in the annual report to National Treasury. (2) Each year the Audit Committee shall carry out annual review of the independence, performance and competency of the internal audit unit and comment on their effectiveness in the annual report.

In the circumstances, the effectiveness of the internal audit function could not be confirmed.

2. Unlawful Termination of Employment Contract

A court ruling between a former employee (Plaintiff) versus Nzoia Sugar Company Limited (Defendant) was delivered in May, 2022 where the defendant was ordered to pay an amount of Kshs.5,217,893 to the plaintiff for unlawful and unfair termination of the former employee. The court found that the termination of the employee's contract by company was unlawful and unfair.

In the circumstances, the effectiveness of human resource management could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- I. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- II. Information given in the directors' report on page xxx is consistent with the financial statements; and
- III. The auditable part of the directors' remuneration report on page 26 has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of the Management and Board of Directors

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

In preparing the financial statements, the 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 the Management is aware of the intention to liquidate the Company or to cease its operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, the 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

31 December, 2024

Ngũgĩ Sugar Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 30 JUNE 2024

	Note	2024 KES'000'	2023 KES'000'
Revenue	4	1,169,310	1,312,758
Fair value gain/(loss) on biological assets	5	<u>195,187</u>	<u>129,805</u>
TOTAL REVENUE		1,364,497	1,442,562
Cost of sales	6	<u>(1,411,041)</u>	<u>(1,651,909)</u>
Gross profit		(46,544)	(209,347)
OTHER OPERATING INCOME			
Gains on Disposal of Non-Financial Assets	7	(78,648)	223
Other Income	8	42,225	45,706
		(36,423)	45,929
Administrative expenses	9	(759,949)	(3,080,948)
Marketing and distribution costs	10	(2,652)	(1,763)
Depreciation of property plant & machinery	15	(325,183)	(22,169)
Amortization of intangible Assets	16	(7,470)	(7,885)
TOTAL OPERATING EXPENSES		(1,095,255)	(3,112,764)
OPERATING PROFIT/(LOSS)	11	(1,178,221)	(3,276,182)
Finance income	12	25	53
Finance costs	13	-	<u>(889,024)</u>
PROFIT/(LOSS) BEFORE TAXATION		(1,178,196)	(4,165,153)
Taxation credit/(charge)	14	-	-
PROFIT/(LOSS) AFTER TAXATION		<u>(1,178,196)</u>	<u>(4,165,153)</u>
OTHER COMPREHENSIVE INCOME (LOSS)			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(1,178,196)</u>	<u>(4,165,153)</u>

Earnings per share is negative Kes.2.170

The notes set out on pages 6 to 48 form an integral part of these Financial Statements.

Nzoia Sugar Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2024

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

		2024	2023
ASSETS	Note	KES'000	KES'000
Non-current assets			
Property, plant and equipment	15	8,738,504	9,054,089
Intangible assets	16	142,209	149,679
Investment property	17	303,978	303,978
Out-growers balances	18	383	17,691
		9,185,074	9,525,436
Current assets			
Due from Out-growers	18	767	35,382
Inventories	19	322,401	494,901
Biological assets	5	937,083	791,942
Trade and other receivables	20	19,131	28,289
Short term deposits	21	-	-
Cash and bank balances	22	8,754	1,412
		1,288,135	1,351,925
Total assets		10,473,209	10,877,361
EQUITY AND LIABILITIES			
Equity			
Share capital	23	543,000	543,000
Revaluation surplus	24	5,967,425	5,967,425
Retained earnings	25	(4,258,724)	(63,099,847)
Shareholders' equity		2,251,700	(56,589,422)
Non-current liabilities			
Long term borrowings	26	-	499,922
Deferred income taxation liability	27	3,885,282	3,885,282
		3,885,282	4,385,204
Current liabilities			
Borrowings	26	-	46,308,296
Trade and other payables	28	3,941,623	16,335,495
Provident fund obligation	29 a	159,158	161,489
Defined benefit scheme liability	29 b	219,500	240,500
Provision for staff leave pay	30	15,945	35,073
Taxation payable	14	-	726
		4,336,227	63,081,579
Total equity and liabilities		10,473,209	10,877,361

The Financial Statements set out on pages 1 to 4 were approved and authorised for issue by the Board of Directors on 13TH SEPTEMBER 2024 and were signed on its behalf by:



Hon. Alfred Khang'ati
Chairman Board of Directors



CPA Ezron Kotut
Managing Director



CPA Peter Simiyu
Finance Manager

Nzoia Sugar Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2024

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

	Share capital KES'000	Revaluation surplus KES'000	Retained deficit KES'000	Total KES'000
At 1 July 2022	543,000	5,967,425	(58,934,693)	(52,424,270)
Total comprehensive profit(loss)	-	-	(4,165,153)	(4,165,153)
At 30 June 2023	543,000	5,967,425	(63,099,846)	(56,589,422)
Movement for the period ending 30 June 2024			57,662,927	57,662,927
Total comprehensive profit(loss)	-	-	(1,178,196)	(1,178,196)
At 30 June 2024	543,000	5,967,425	(4,258,724)	2,251,700

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

The movement for the period relates to the write off of loans, levies, taxes and penalties by the Government of Kenya during the year under review. The National assembly of Kenya approved action plans to revive and commercialize state owned sugar companies on 14th September 2023, write off of debts, levies, taxes and penalties being among the plans as per the Certificate No.039/13th/2023 of the National Assembly of Kenya.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 KES'000	2023 KES'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	31 (a)	221,101	(353,103)
Interest received	12	25	53
Interest paid		-	-
Taxation paid	14	-	-
		<u>221,126</u>	<u>(353,050)</u>
Net cash generated from/(used in) operating activities		221,126	(353,050)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	15	(139,065)	(32,816)
Additions to biological assets	5	(75,720)	(131,126)
Net cash used in investing activities		<u>(214,784)</u>	<u>(163,943)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received	26	-	499,922
Loans repaid	26	-	-
Net cash (used in)/generated from financing activities		<u>-</u>	<u>499,922</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		7,342	(17,070)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>1,412</u>	<u>18,482</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31(b)	<u>8,754</u>	<u>1,412</u>

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED
30TH JUNE 2024

		ACTUAL	BUDGET	PERFORMANC E DIFFERENCE	% UTILIZATIO N
	Note	Shs'000	Shs'000	Shs'000	
Revenue	4	1,169,310	5,221,411	(4,052,101)	22.39
Fair value gain/(loss) on biological assets	5	195,187	-	195,187	-
TOTAL REVENUE		1,364,497	5,221,411	(3,856,914)	26.13
Cost of sales	6	<u>(1,411,041)</u>	<u>(3,108,214)</u>	<u>1,697,173</u>	45.40
Gross profit		(46,544)	2,113,197	(2,159,741)	(2.20)
OTHER OPERATING INCOME					
Gains on Disposal of Non-Financial Assets	7	(78,648)	10,000	(68,648)	(786.48)
Other Income	8	42,225	36,100	(13,012)	116.97
		(36,423)	46,100	(81,660)	
Administrative expenses	9	(759,949)	(1,286,202)	526,253	59.08
Marketing and distribution costs	10	(2,652)	(4,500)	1,848	58.93
Depreciation of property, plant & machinery	15	(325,183)	(157,143)	160,156	206.93
Amortisation of intangible Assets	16	(7,470)	(7,884)	(7,470)	94.75
TOTAL OPERATING EXPENSES		(1,095,254)	(1,455,729)	680,787	75.24
OPERATING PROFIT/(LOSS)	11	(1,178,221)	703,568	(1,560,614)	
Finance income	12	25	9,137	25	0.27
Finance costs	13	-	<u>(528,259)</u>	<u>528,259</u>	
PROFIT/(LOSS) BEFORE TAXATION		(1,178,196)	184,446	(1,560,589)	(638.78)
Taxation credit/(charge)	14	-	-	-	
PROFIT/(LOSS) AFTER TAXATION		<u>(1,178,196)</u>	<u>184,446</u>	<u>(1,362,642)</u>	(638.78)

BUDGET NOTES

1. Revenue had an adverse variance due to low production volumes as a result of the sugarcane milling operations being stopped for a period of 5 months by the Agriculture and Food Authority.
2. Total operating expenses reduced due to write off of Government loan expenses and interests during the year under review.
3. Finance costs reduced due to write off of Government loan interests during the year under review.

NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

(i) *Relevant new standards and amendments to published standards effective for the year ended 30 June 2024*

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The amendments to IAS 12 Income Taxes clarify the following aspects:
	<ul style="list-style-type: none">• Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.• The carrying amount of an asset does not limit the estimation of probable future taxable profits.• Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.• An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The application of these amendments has had no impact on the Company's financial statements as the Company already assesses the sufficiency of the future taxable profits in a way that is consistent with these amendments.

(ii) **New and revised IFRSs in issue but not yet effective for the year ended 30 June 2024**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below :

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

- Requirements for the classification and measurement of financial liabilities and for de-recognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:
- impairment requirements for financial assets; and
 - Limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1. ACCOUNTING POLICIES (Continued)

Based on an analysis of the Company's financial assets and financial liabilities as at 30 June 2024 on the basis of the facts and circumstances that exist at that date, the Directors have performed a preliminary assessment of the impact of IFRS 9 to the Company's financial statements as follows:

Classification and measurement

All the financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9, finance lease receivables, amounts due from customer under contracts, and financial guarantee contracts will be subject to the impairment provisions of IFRS 9.

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, as required or permitted by IFRS 15. The Company does not hold any listed redeemable notes, finance lease receivables, amounts due from customer under construction contracts or financial guarantee contracts.

In general, the Directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the trade and other receivables balances and are currently assessing the potential impact.

Hedge accounting

As the new hedge accounting requirements will align more closely with the Company's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Company's current hedging relationships indicates that they will qualify as continuing hedging relationships upon the application of IFRS 9.

The Directors are assessing the potential impact on the financial statements resulting from the application of these changes. The new standard is expected to be applied for the year beginning 1 July 2019.

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

(iii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2024 (Continued)

IFRS 15 Revenue from Contracts with Customers

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

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1. ACCOUNTING POLICIES (Continued)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to identification of performance obligations, principal versus agent considerations as well as licensing application guidance.

The Company recognises revenue mainly from sale of sugar. Based on preliminary assessment, the Directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance. The new standard is expected to be applied for the year beginning 1 July 2019.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right of use asset and a corresponding liability be recognised for all lessees (i.e. on balance sheet) except for short term leases and leases of low value assets.

The right of use is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under IFRS 16, the lease payments will be split into principal and interest portions which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward lessor accounting treatment in IAS 17 and continues to require a lessor to classify a lease as either an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

The Company is assessing the potential impact on the financial statements resulting from the application of these changes.

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2024 (Continued)

IFRS 17 Insurance Contracts

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates.

The entity:

- (a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
- (b) chooses where to present the effects of some changes in discount rates - either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 *Insurance Contracts*. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

The adoption of this standard will not have an impact on the consolidated and company financial statements since the Company does not issue insurance contracts.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- (i) In estimating the fair value of a cash settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity settled share-based payments.
- (ii) Where tax law or regulation require an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2023(Continued)
IFRS 17 Insurance Contracts (Continued)

(iii) A modification of share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

- The original liability is derecognised;
- The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to modification date; and
- Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2024 (Continued)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (Continued)

The Directors do not anticipate that the application of the amendments in future will have a significant impact on the financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. (e.g. a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transactions is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements as the Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2024 (Continued)

IFRS 17 Insurance Contracts (Continued)

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

The Company is assessing the potential impact on the financial statements resulting from the application of these changes.

(ii) New and revised IFRSs in issue but not yet effective for the year ended 30 June 2024 (Continued)

Annual Improvements to IFRS Standards 2015-2017 Cycle

The Annual Improvements to IFRS Standards 2015-2017 cycle makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

(iii) **Early adoption of standards)**

The Company did not early adopt new or amended standards in the period ended 30 June 2024

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

Basis of preparation

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

Revenue recognition

(i) Sale of goods

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

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest income

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

(iii) Other income

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

Expense recognition

The company records expenses when they are incurred, meaning when the goods are received or the services are provided, whether or not an invoice has been received or payment has been made.

Foreign currencies

In preparing the financial statements of the company, transactions in currencies other than its functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Taxation

Income taxation expense represents the sum of current taxation and deferred taxation.

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

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

Property, plant and equipment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

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

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

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

Inventories

Finished sugar and molasses inventories are stated at the lower of production cost and net realisable value. Production cost comprises expenditure directly incurred in the manufacturing process and an allocation of normal production overheads attributable to the process. Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

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

Intangible assets

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

Biological assets

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

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

Immature growing cane is valued at cost up to cane age from 0 – 9 months.

Nzoia Sugar Company Limited
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NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

Leases

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

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

The company as lessor

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

The company as lessee

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

Cash and cash equivalents

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

Financial instruments

Financial assets and financial liabilities are recognized in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Classification

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

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held to maturity

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

Available-for-sale financial assets

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

Recognition

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

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

Derecognition

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

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Annual Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

Financial liabilities

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

Other financial liabilities

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

The company's key other financial liabilities are:

Borrowings

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

Trade and other payables

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

Impairment

At the reporting date, the company reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized through profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

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

Employee benefits

Defined benefit scheme

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

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

1 ACCOUNTING POLICIES (Continued)

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

The net retirement benefit obligation represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Defined contribution schemes

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

The company and its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme. The company's obligation is limited to a specified contribution per employee per month. Currently, the contribution is limited to a maximum of KES 200 per employee per month. The company's contributions are charged through profit or loss in the year to which they relate.

Provisions for staff leave pay

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

Dividends

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

Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

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

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

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

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

Held to maturity investments

The company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. This classification requires significant judgement. In making this judgement, the company evaluates its intention and ability to hold such investments to maturity. If the company fails to keep these assets to maturity, for example selling a more than insignificant amount close to maturity, it will be required to classify the entire class as available-for-sale. The assets would therefore have to be measured at fair value and not amortised cost with the difference arising from this change in valuation being a corresponding entry to a fair value reserve in shareholders' equity.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

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

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

Biological assets (unharvested cane)

In determining the fair value of biological assets, 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 13.

Property, plant and equipment and intangible assets

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

Impairment

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

Contingent liabilities

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

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NOTES TO THE FINANCIAL STATEMENTS.....Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2024

3 GOING CONCERN

At 30 June 2024, the company had a shareholders' equity of KES 2,251,700 (2023 -Deficit of KES 56,589,422) and current liabilities exceeded current assets by KES 3,048,092 (2023 - KES. 61,729,654). This situation indicates the existence of a material uncertainty which may cast doubt on the company's ability to continue as a going concern.

The directors have assumed that the Government of Kenya (GOK) will continue to support the company to ensure it operates. There are also plans to privatize the Company which will include restructuring of the Company and bringing new investors on board.

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

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NOTES TO THE FINANCIAL STATEMENTS

	2024	2023
	KES'000	KES'000
4 REVENUE ANALYSIS		
Gross sales	1,356,400	1,522,799
Less: Value Added Tax	(187,090)	(210,041)
	<u> </u>	<u> </u>
Net sales	1,169,310	1,312,758
	=====	=====
Net sales analysed as follows:		
Sugar sales	1,106,611	1,199,294
Molasses sales	62,699	113,464
	<u> </u>	<u> </u>
	1,169,310	1,312,758
	=====	=====
	2024	2023
	KES'000	KES'000
5 BIOLOGICAL ASSETS		
At beginning of the year	791,942	911,032
- Additions	75,720	131,126
Decrease due to harvest	<u>(125,766)</u>	<u>(380,022)</u>
As restated	741,896	662,137
(Loss)/gain arising from changes in fair value attributable to physical changes	260,132	129,805
Loss)/gain arising from changes in fair value attributable to price changes	(64,945)	-
	<u> </u>	<u> </u>
Fair value gain/(loss) during the year	195,187	129,805
	<u> </u>	<u> </u>
At the end of the year	937,083	791,942
	=====	=====

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

Nzoia Sugar Company Limited
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. COST OF SALES	2024	2023
	KES'000	KES'000
Opening stock raw material-Cane	2,448	-
Cane purchased -N/Estate	123,365	437,027
-O/G	797,580	308,870
Total cane received	920,944	745,897
Raw materials available for crushing	923,392	745,897
Closing stock raw materials	(12,321)	(2,448)
Cost of cane ground	911,072	743,449
Production - Direct labour	94,582	110,449
- Direct Expenses	34,042	53,557
Total Direct expenses	128,624	164,006
Prime costs	1,039,696	907,455
Factory -Indirect labour	133,031	175,767
-Indirect Expenses	215,432	255,061
-Depreciation	-	352,214
Total indirect costs	348,462	783,042
Factory cost of production	1,388,158	1,690,497
Add: Opening work in progress	61,425	25,817
Less: Closing work in progress	(19,437)	(61,425)
	1,430,145	1,654,889
Factory cost of completed goods		
Add: Opening stock Finished goods	3,400	419
Goods available for sale	1,433,545	1,655,309
Less: Closing stock Finished goods	(22,506)	(3,400)
Cost of sales	<u>1,411,041</u>	<u>1,651,909</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2024 KES'000	2023 KES'000
7. GAINS/(LOSS) ON DISPOSAL OF NON-FINANCIAL ASSETS		
Disposal of Arkel Yard&Motor vehicles	(78,648)	223
<p>The Company disposed Arkel yard factory items and various motor vehicles during the year.</p>		
8. OTHER INCOMES		
Rental income	8,956	8,994
Miscellaneous Receipts	6,064	9,013
Decrease in provisions	24,128	24,271
Gain on Investment Revaluation- Kileleshwa Company Machine Fleets	3,077	3,428
	42,225	45,706
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 (a) ADMINISTRATIVE EXPENSES	2024	2023
	KES'000	KES'000
Staff costs	502,476	828,183
Other costs	24,297	11,735
Legal and professional fees	13,311	10,250
Corporate social responsibility	579	45
Medical services	76	96
Travelling	8,074	7,532
Security	991	1,121
Books & Periodicals	-	-
Directors expenses	25,753	12,701
Honorarium	736	268
Repairs and maintenance	6,722	8,825
Rent and rates	5,374	17,665
Insurance	35,139	35,139
Cane safety expense	-	-
Bank charges	3,613	3,741
Contracted services	32,285	33,178
Telephones and communications	2,567	3,184
Audit fees	2,205	2,205
Stationery	2,440	1,611
Contingency	-	-
Donations	173	1,440
Fuel and lubricants	26,338	25,603
Motor vehicle running	22,985	13,330
Foreign Exchange Differences	-	554,908
Tax penalties	43,816	1,508,186
	759,949	3,080,948

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2024	2023
	KES'000	KES'000
9(b) STAFF COSTS		
Salaries and allowances	413,125	460,884
Bonus	-	-
Pension - defined contribution scheme	34,066	277,193
Provident fund	-	-
Staff overtime	-	2,128
Staff training	1,334	291
Casual labour	44,850	79,696
Other staff costs	289	163
Staff gratuity provision	-	-
Pension - statutory defined contribution scheme	8,813	7,828
Defined benefit scheme credit	-	-
	502,476	828,183
	=====	=====

The average number of employees at the end of the year was:

Permanent employees-Management	191	216
Permanent employees-Unionisable	370	424
Temporary and contract employees	2,597	1,887

10. MARKETING AND DISTRIBUTION COSTS

Salaries and wages of sales personnel		
Advertisement and promotional expenses	1,672	1,706
Other Selling and distribution costs	980	57
	2,652	1,763
	=====	=====

11. LOSS BEFORE TAXATION

Loss before taxation is arrived at after:

Charging:

Staff costs (note 9 b)	502,476	828,183
Depreciation of property, plant and equipment (note 15)	325,184	374,383
Amortisation of intangible assets (note 16)	7,470	7,885
Directors' emoluments - Fees	-	-
- Other	-	-
Directors' expenses	26,489	12,969
Auditors' remuneration	2,205	2,205
Bad and doubtful debts	-	-
Profit (loss) on disposal of assets	78,648	(223)
Loss (Gain) on foreign exchange	-	554,908
Interest receivable	(25)	(53)
	-	-
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2024	2023
	KES'000	KES'000
12		
FINANCE INCOME		
Interest income:		
On farmers balances	21	36
On deposits with financial institutions	4	17
On staff loans	-	-
	<u>25</u>	<u>53</u>
	=====	=====

The interest income on farmers' balances relates to the interest the company charges farmers in relation to credit advanced for farm inputs. The company recovers these amounts from the amounts payable to farmers on harvested cane.

	2024	2023
	KES'000	KES'000
13		
FINANCE COSTS		
Interest expense	-	889,024
	=====	=====

	2024	2023
	KES'000	KES'000
14		
TAXATION		
(a) Taxation charge/(credit)		
Current taxation based on the adjusted profit for the year at 30% - current year		-
Deferred taxation credit (note 27)	-	-
Prior year under provision of taxation recoverable		-
	<u>-</u>	<u>-</u>
	=====	=====
(b) Reconciliation of expected tax based on loss before taxation charge/(credit)		
Loss before taxation	(1,178,196)	(4,165,153)
	=====	=====
(c) Taxation recoverable		
At beginning of the year	-	(726)
Paid in the year	-	-
Charge for the year	-	-
Prior year under provision of taxation recoverable		-
	<u>-</u>	<u>-</u>
	=====	=====
At end of year	-	(726)
	=====	=====

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PROPERTY, PLANT AND EQUIPMENT													
	Leasehold land	Factory building	Residential & school buildings	Plant & machinery	Tractors, trailers & heavy vehicles	Cars & motor cycles	Furniture, fittings & equipment	Computer system	Factory tools & implements	Water & electricity installation	Cane Roots	Capital WIP	Total
	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000
COST OR VALUATION													
At 1 July 2022	5,798,600	563,364	223,550	5,643,612	381,820	91,727	45,818	111,136	26,218	119,204	203,885	188,512	13,397,448
Additions							97	255			32,465		32,816
Revaluation													
Transfer													
Reclassification													
Disposals				(1,200)		(1,980)							(3,180)
At 30 June 2023	5,798,600	563,364	223,550	5,642,412	381,820	89,747	45,914	111,391	26,218	119,204	236,350	188,512	13,427,084
At 1 July 2023	5,798,600	563,364	223,550	5,642,412	381,820	89,747	45,914	111,391	26,218	119,204	236,350	188,512	13,427,084
Additions							85	227			35,966	102,787	139,065
Revaluation													
Transfer													
Reclassification													
Disposals				(296,697)	(27,000)	(8,860)							(332,557)
At 30 June 2024	5,798,600	563,364	223,550	5,345,715	354,820	80,887	45,999	111,618	26,218	119,204	272,316	291,299	13,233,592

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land	Factory building	Residential & school building	Plant & machinery	Trailers & heavy vehicles	Cars & motor cycles	Furniture, fittings & equipment	Computer Hardware	Factory tools & implements	Water & electricity installation	Cane Roots	Capital WIP	Total
	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000	KES '000
DEPRECIATION													
At 1 July 2022	-	291,127	67,437	2,896,529	342,796	78,792	29,333	60,940	15,753	80,991	136,765	-	4,000,463
Restated depreciation	-	-	-	(563)	-	(1,287)	-	-	-	-	-	-	(1,850)
Charge for the year	-	27,224	7,806	274,588	9,815	2,739	2,487	7,568	1,570	5,732	34,855	-	374,383
30 th June 2023	-	318,351	75,242	3,170,554	352,611	80,244	31,820	68,508	17,323	86,723	171,619	-	4,372,995
Disposals	-	-	-	(168,979)	(26,140)	(7,974)	-	-	-	-	-	-	-
Charge for the year	-	24,501	7,415	234,414	6,655	2,154	2,127	6,466	1,334	4,872	35,244	-	325,183
At 30 June 2024	-	342,852	82,658	3,235,989	333,126	74,424	33,947	74,974	18,657	91,595	206,863	-	4,495,090
NET BOOK VALUE (Valuation)													
At 30 June 2024	5,798,600	220,512	140,892	2,109,726	21,693	6,463	12,052	36,643	7,561	27,610	65,453	291,299	8,738,504
At 30 June 2023	5,798,600	245,013	148,308	2,471,858	29,209	9,503	14,094	42,883	8,896	32,482	64,730	291,299	9,054,089

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

In 1977, the company was granted leasehold land registration East Bukusu/North Sang'alo/1904, East Bukusu/East Sang'alo/1444 and Ndivisi/Khalumuli/1459 and a 50-year land grant for land reference 4857/64 with effect from April 2002 from the Government of Kenya. In 2015, the leasehold land was valued at Kes.5,798,600,000.00

Property, plant and equipment were revalued on 30 June 2015, by Real Appraisal Limited. Assets were revalued using the depreciated replacement cost method. Management is in the process of procuring a valuer to value assets as per the policy.

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

Depreciation charge for the year ended 30th June 2024 of Kes.325,183,000 has been charged on the face of profit or loss and other comprehensive income for the year ended 30th June 2024.

16 INTANGIBLE ASSETS

	2024 KES'000	2023 KES'000
COST		
At 1 July	149,679	157,563
Revaluation	-	-
Transfer from capital WIP	<u>149,679</u>	<u>157,563</u>
AMORTISATION		
At 1 July	82,887	75,003
Depreciation Charge for the year	<u>7,470</u>	<u>7,884</u>
At 30 June	<u>90,357</u>	<u>82,887</u>
NET BOOK VALUE	<u>142,209</u> =====	<u>149,679</u> =====

Intangible assets represent computer software costs, ERP software and antivirus software accounted as per IAS 38. Intangible assets are amortised over a period of 20 years from 2017.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 INVESTMENT PROPERTY

At fair value:

At beginning of year	303,978	303,978
Fair value gain	-	-
	<u>303,978</u>	<u>303,978</u>
At end of year	=====	=====

Locations and details of the investment property are LR No.4857/64/Kileleshwa in Nairobi area. Valuation of the property was carried out by Nairobi City County Government as per (Cap 266) Sec.9 (4) of the Valuation for Rating Act, Laws of Kenya.

18 DUES FROM OUTGROWERS

	2024 KES'000	2023 KES'000
Due from out-growers	211,050	209,900
Less: provision for doubtful debts	(209,900)	(156,827)
	<u>1,150</u>	<u>53,073</u>
	=====	=====
Due within 1 year	767	35,382
After 1 year	383	17,691
	<u>1,150</u>	<u>53,073</u>
	=====	=====

Due from out-growers relates to credit advanced to farmers towards farm inputs. The cane planted acts as collateral for the amount advanced. The cane planted takes a maximum of 18 months to harvest.

19 INVENTORIES

	2024 KES'000	2023 KES'000
Sugar and molasses	22,505	3,400
Sugar in process	19,437	61,425
Raw materials	12,321	-
Consumables	268,139	430,076
	<u>322,401</u>	<u>494,901</u>
	=====	=====

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2024
KES'000

2023
KES'000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 TRADE AND OTHER RECEIVABLES

Trade receivables	26,255	26,270
Less provision for doubtful debts	(24,914)	(24,914)
	<u>1,341</u>	<u>1,356</u>
Other receivables	123,836	147,827
Prepayments and deposits	6,449	24,673
Staff receivables	17,715	15,340
Less provision for doubtful debts	(130,209)	(160,907)
	<u>19,131</u>	<u>28,289</u>
	=====	=====

2024
KES'000

2023
KES'000

21 SHORT TERM DEPOSITS

National Bank of Kenya Limited	-	-
Standard Chartered Bank of Kenya Limited	-	-
	<u>-</u>	<u>-</u>
	=====	=====

The effective interest rates was as follows:	2024	2023
	%	%
National Bank of Kenya Limited	7	7
Standard Chartered Bank of Kenya Limited	7	7
	===	===

No short- term deposits were held against letters of credit during the year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 BANK AND CASH BALANCES

		2024 KES'000	2023 KES'000
KCB - Bungoma Current A/C	1107813840	454	6
NBK - Bungoma Current A/C	01001054695600	1212	0.03
NBK Savings A/C	01242054695600	65	0.03
Coop Current A/C	01120049157301	60	0.54
DTB Current A/C	0267463001	6,957	605
SCB SAFARI A/C	0152517955300	-	-
SCB Current A/C	0102417955300	6	36
Receipts Before Banking	company receipts	-	729
Bungoma Petty Cash	company cash	-	35
		-----	-----
TOTAL		8,754	1,412
		=====	=====

Cash and bank balances are held at National Bank, Kenya Commercial Bank, Co-operative Bank of Kenya, Diamond Trust Bank and Standard Chartered Bank as at 30th June 2024.

23 ORDINARY SHARE CAPITAL	2024 KES'000	2023 KES'000
Authorised: 30,000,000 ordinary shares of KES 20 each	600,000	600,000
	=====	=====
Issued and fully paid: 27,150,000 ordinary shares of KES 20 each	<u>543,000</u>	<u>543,000</u>

24 REVALUATION RESERVE

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

25 RETAINED EARNINGS (DEFICIT)

The retained earnings (Deficit) represent amounts available for distribution to the entity's shareholders.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2024	2023
		KES'000	KES'000
26	BORROWINGS		
a)	Loans		
	National Treasury	-	43,984,629
	Agriculture Food and Fisheries Authority (AFFA)	-	2,823,589
		-----	-----
		-	46,808,218
		=====	=====
	The borrowings are repayable as follows:		
	On demand or within 1 year	-	46,308,296
	After 1 year	-	499,922
		-----	-----
	Total borrowings	-	46,808,218
		=====	=====
	The Government of Kenya wrote off all the loans during the year under review.		
		2024	2023
		KES'000	KES'000
b)	Movement in loans		
	At 1 July	-	44,864,363
	Accrued interest	-	889,024
	Interest paid	-	-
	Foreign exchange difference	-	554,908
	Loans received	-	499,922
	Affa loan adjustment	-	-
		-----	-----
	At 30 June	-	46,808,218
		=====	=====
	This is made up of:		
	Principal	-	12,544,135
	Accrued interest	-	32,264,083
		-----	-----
		-	46,808,218
		=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 BORROWINGS

The effective interest rates on the borrowings during the year were:

c) Interest rates	2024	2023
	%	%
The National Treasury	-	5.3
Agriculture Food and Fisheries Authority	-	10.9
	=====	=====

d) Details of securities for borrowings

The loans from The National Treasury and the Agriculture Food and Fisheries Authority were written off by the Government of Kenya.

27 DEFERRED INCOME TAXATION LIABILITY

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

	2024 KES'000	2023 KES'000
The net deferred taxation liability is attributable to the following items:		
Deferred taxation liabilities:		
Accelerated capital allowances	1,719,603	1,719,603
Fair value adjustment - biological assets	102,816	102,816
Revaluation surpluses	2,545,575	2,545,575
	-----	-----
Total liabilities	4,367,994	4,367,994
Deferred taxation assets:		
Provision for service gratuity	(73,184)	(73,184)
Provision for staff leave pay	(26,741)	(26,741)
Unrealised exchange losses	(17,214)	(17,214)
General doubtful debts provision	(268,633)	(268,633)
Provision for obsolete stock	(96,940)	(96,940)
Tax losses available for offset against future profits	(5,535,461)	(5,535,461)
Deferred tax assets not recognised	5,535,461	5,535,461
	-----	-----
Total assets	(482,712)	(482,712)
	-----	-----
Total	3,885,282	3,885,282
	=====	=====
At 30 June 2024	3,885,282	3,885,282
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

28 TRADE AND OTHER PAYABLES

	2024 KES'000	2023 KES'000
Trade payables	893,533	869,870
Due to out growers	192,804	272,549
Tax penalties	53,416	8,921,307
Sugar Development Levy	-	831,891
Accruals	391,933	2,163,696
Other payables	2,409,937	3,276,183
	<u>3,941,623</u>	<u>16,335,495</u>
	=====	=====

29 RETIREMENT BENEFITS OBLIGATIONS

(a) AMOUNTS DUE TO STAFF PROVIDENT FUND

	2024 KES'000	2023 KES'000
Balance at the beginning of the year	161,489	170,717
Interest charge	-	-
Paid during the year	(2,331)	(9,228)
	<u>159,158</u>	<u>161,489</u>
	=====	=====

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

Following a government directive, the gratuity arrangement due to Unionisable staff members under the Collective Bargaining Agreement between the company and the Union, was terminated on 30 June 2012. Accrued member benefits as at this date were transferred to the provident fund. From 1 July 2012, the company's liability related to staff retirement benefits is limited to the amounts transferrable to the provident fund, and the company's monthly contributions to the provident fund on behalf of eligible members.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 (b) DEFINED BENEFITS SCHEME ASSET (CONTINUED)

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31st December 2020 by Octagon Pension Services Limited. Normal retirement age for scheme members was assumed to be 60 years. The accrued liability in respect of pensioners was taken as the present value of the expected future pension payments. The deficit has been reduced to Kes 219.5 M as at 30th June 024.

Staff Retirement Benefits Scheme-DC
Actuarial Valuation as at 31st December 2020

Asset Class	Kes. '000'	%
Property	123.80	50.50
Guaranteed Fund	4.40	1.80
Government Securities	70.80	28.90
Quoted Equities	38.20	15.60
Corporate Bonds	2.60	1.10
Net Current Assets	5.20	2.10
Total	245.00	100.00
	31.12.2020	31.12.2016
Value of accrued liabilities		
Current Employees	116.20	225.40
Deferred and Outstanding	11.00	12.30
Pensioners (including spouses and dependants)	361.20	229.60
Total Liabilities	488.40	467.30
Total Assets	245.00	376.80
Surplus/(Deficit)	(243.40)	(90.50)
Funding Level	50.20%	80.60%

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2024	2023
	KES'000	KES'000
30 PROVISIONS FOR STAFF LEAVE PAY		
At the beginning of the year	35,073	36,344
Movement in the year	(19,128)	(1,271)
	<u>15,945</u>	<u>35,073</u>
At the end of the year	=====	=====
31 NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of loss before taxation to cash generated from (used in) operations		
Loss before taxation	(1,178,196)	(4,165,153)
<i>Adjustments:</i>		
Finance income (note 12)	(25)	(53)
Finance costs (note 13)	-	889,024
Fair value gain investment property	-	-
Depreciation (note 15)	325,183	374,383
Revaluation (note 15& 16)	-	-
Amortisation (note 16)	(7,470)	7,885
Loss/ (gain) on disposal of property, plant and equipment	78,648	(223)
Fair value loss /gain on biological assets (note 5)	(195,187)	(129,805)
Foreign exchange difference on borrowings (note 26)	-	554,908
Biological assets harvested	125,704	381,988
	<u>(851,343)</u>	<u>(2,087,037)</u>
Cash used in operations before working capital changes	(851,343)	(2,087,037)
<i>Movements in:</i>		
Out-growers balances	51,923	(4,005)
Inventories	172,500	48,474
Trade and other receivables	9,158	2,521
Staff provident fund	(2,331)	(9,228)
Defined benefit obligation (note 29)	219,500	240,500
Trade and other payables	(12,393,872)	1,454,400
Trade and other payables write off	12,997,438	-
Provision for staff leave pay	19,128	1,271
	<u>222,101</u>	<u>(353,103)</u>
Cash generated (used in) operations	=====	=====
(b) Analysis of the balances of cash and cash equivalents		
Bank and cash balances (note 22)	8,754	1,412
Short term deposits (note 21)	-	-
	<u>8,754</u>	<u>1,412</u>
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 RELATED PARTY BALANCES AND TRANSACTIONS

a) Nature of related party relationships

Entities and other parties related to the company include those parties who have the ability to exercise control or significant influence over its operating and financial decisions. Related parties include management personnel, their associates, close family members and other government agencies.

The Company is related to;

- (i.) The National Government
- (ii.) The Ministry of Agriculture
- (iii.) Board of Directors
- (iv.) Key management
- (v.) Sales and purchases from other government agencies

	2024	2023
	KES'000	KES'000
b) Due to related parties-Molasses Sales		
Agro-Chemical Company Limited	195	195
	=====	=====
c) Key management compensation		
The remuneration for key management during the year was as follows:		
Salaries and other benefits	48,586	46,094
	=====	=====
d) Directors' remuneration		
Fees for services as directors	736	268
Directors Honorarium	25,753	12,701
Directors' expenses	=====	=====

33 CAPITAL COMMITMENTS

Commitments at the year-end for which no provision has been made in these financial statements:

Authorised and contracted for	-	-
Authorised but not contracted for	4,400	69,500
	-----	-----
	4,400	69,500
	=====	=====

The capital commitments relate primarily to expenditure on crop protection UPS and furniture fittings. The company intends to fund these commitments through internally generated funds and loans.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2024 KES'000	2023 KES'000
34 CONTINGENT LIABILITIES		
Pending claims	12,000	17,000
Letters of credit	-	-
	=====	=====

35 RISK MANAGEMENT POLICIES

Overview

The company's activities expose it to a variety of operational and financial risks. These activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the company's business and the operational risks are an inevitable consequence of being in business.

The company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The key types of financial risks include:

- Credit risk
- Market risk
- Liquidity risk

The key operational risks include political and environmental risks.

The company's financial risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and at the same time ensuring adherence to laid down limits. This is achieved by means of reliable and up-to-date information systems. The company regularly reviews its financial risk management policies and systems to reflect changes in markets and emerging best practices. The company's overall risk management program focuses on the unpredictability of changes in the business environment and seeks to minimize potential adverse effects of such risks on its financial performance within the options available in the Kenyan market by setting acceptable levels of risks. Financial risk management is carried out by senior management under the supervision of the Board of Directors. Management in conjunction with various committees then identifies, evaluates and addresses risks accordingly.

In addition, the company has an independent internal audit department which reports directly to the Board Audit Committee. This department is responsible for assessing the risk faced by the company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls that address these risks. The company does not enter into or trade in financial instruments, including derivative financial instruments, for either hedging or speculative purposes.

35 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
RISK MANAGEMENT POLICIES (Continued)

Credit risk management (Continued)

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

The company counters this risk by placing significant emphasis on the vetting and selection of farmers. This is done with the aid of comprehensive and documented criteria which includes a review of farmers' payment histories. The company also monitors budgeted sales outputs and expected factory crushing capacity and also forecasts of expected environmental conditions to aid it in budgeting for these advances. However, the existence of favourable weather conditions will always remain outside the control of the company.

Political upheavals and general unrest also pose a risk to the company usually resulting in the burning of immature cane. Burning of immature cane reduces the quality and the quantity of the yield from such cane in addition to raising production costs and waste. While an element of this risk is outside the company's control, it has however sought to mitigate this risk by enhancing security in its nucleus estates. The company does not purchase burnt cane from farmers in order to discourage irresponsible burning of immature cane by farmers in order to readily obtain quick cash.

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

In measuring credit risk relating to trade receivables, the company therefore reflects three components:

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)

Credit risk management (Continued)

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

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

Collateral

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

The credit risk exposures are classified in three categories:

Neither past due nor impaired

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

Past due but not impaired

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

Impaired

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)

Credit risk management (Continued)

Analysis of credit risk exposure

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

	Neither past due nor impaired KES'000	Past due but not impaired KES'000	Impaired KES'000	Total KES'000
30 June 2024				
Trade receivables	-	1,341	24,914	26,255
Due from outgrowers	-	1,150	209,900	211,050
Short term deposits	-	-	-	-
Bank balances	8,754	-	-	8,754
	<u>8,754</u>	<u>2,491</u>	<u>234,814</u>	<u>246,059</u>
	=====	=====	=====	=====
30 June 2023				
Trade receivables	-	1,356	24,914	26,205
Due from outgrowers	-	53,073	156,827	209,900
Short term deposits	-	-	-	-
Bank balances	1,412	-	-	1,412
	<u>1,412</u>	<u>54,429</u>	<u>181,741</u>	<u>237,582</u>
	=====	=====	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)

Market risk management

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

(i) Interest rate risk

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

(ii) Currency risk

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

Liquidity risk management

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)
Liquidity risk management (Continued)

	1 – 6 Months KES'000	6 – 12 Months KES'000	Above 1 year KES'000	Total KES'000
At 30 June 2024				
Borrowings	-	-	-	-
Trade payables	-	893,533	-	893,533
Payables to out-growers	192,804	-	-	192,804
	<u>192,804</u>	<u>893,533</u>	<u>-</u>	<u>1,086,337</u>
	1 – 6 Months KES'000	6 – 12 Months KES'000	Above 1 year KES'000	Total KES'000
At 30 June 2023				
Borrowings	499,922	-	46,308,296	46,808,218
Trade payables	-	869,870	-	869,870
Payables to outgrowers	-	272,549	-	272,549
	<u>499,922</u>	<u>1,142,419</u>	<u>46,308,296</u>	<u>47,950,637</u>
	=====	=====	=====	=====

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 RISK MANAGEMENT POLICIES (Continued)

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

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

	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000	Total Sh'000
At 30 June 2024				
Property, plant and equipment	-	8,738,504 -		8,738,504
Biological assets	-	937,083 -		937,083
Investment property		303,978 -		303,978
	=====	=====	=====	=====
At 30 June 2023				
Property, plant and equipment	-	9,054,089 -		9,054,089
Biological assets	-	791,942 -		791,942
Investment property		303,978 -		303,978
	=====	=====	=====	=====

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

b) Financial instruments not measured at fair value

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

36 CAPITAL MANAGEMENT

The company's objectives when managing capital are:

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

The capital structure of the company consists of debt, which includes the borrowings less cash and cash equivalents and equity attributable to equity holders, comprising issued capital, revaluation surplus and retained earnings. The Board of Directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital.

Based on the review, the company analyses and assesses the gearing ratio to determine the appropriate levels. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash and cash equivalents.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36 CAPITAL MANAGEMENT

	2024	2023
	KES '000	KES '000
The gearing ratio at the year-end was as follows:		
Shareholders' deficit	2,251,700	(56,589,422)
Borrowings (note 26)	-	46,808,218
Short term deposits (note 21)	-	-
Cash and bank balances (note 22)	(8,754)	(1,412)
Net debt	(8,754)	46,806,806
Gearing ratio	=====	Over 100% =====

37 INCORPORATION

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

38 CURRENCY

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

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PROGRESS ON FOLLOW UP ON AUDITORS RECOMMENDATIONS

Reference No/Paragraph number on the Audit report	Issue/Observations from Audit report	Management comments	Status:(Resolved/Not resolved)	Timeframe(Put a date when you expect the issue to be resolved)
1. Page 1	Material Uncertainty Related to Going Concern	<p>The company faces an acute financial challenge due to aging factory machinery, accrued loan interests, prolonged drought affecting cane growth and development leading to depleted raw cane material for milling. These factors have made the company not able to fully meet its financial obligations as and when they fall due.</p> <p>However, the directors have assumed that the Government of Kenya (GOK) will continue to support the factory and will not demand for the settlement of the outstanding loan amounts. In the event the Government of Kenya demand for the settlement of their net loans, adjustment will be required to restate the assets to their realizable values, to reclassify non-current assets and long-term liabilities to current liabilities and to provide for any further losses and liabilities that may arise.</p> <p>The company is also banking on the implementation of sessional paper number 12 of 2012 presented to parliament, where the cabinet proposed for the write off of all Government of Kenya and Sugar Fund loans of Public Sector Owned Sugar Companies, Nzoia Sugar Company Limited being one of them.</p>	NOT RESOLVED	30.06.2024
2.1 Page 2	Idle Plant	<p>Revaluation was carried out in 2015 by Real Appraisal limited on the idle assets and an impairment recorded as per the revalued figures for each item.</p> <p>The Company started the process of disposing the assets in 2016 after the Ministry of Agriculture gave authority to dispose assorted obsolete equipment supplied by Arkel international to Nzoia Sugar Company Limited. The company invited the</p>	RESOLVED	30.06.2024

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		<p>Ministry of Public Works to value the idle assets for purpose of disposal and a reserve price was given for every item to be disposed totaling to Kes.217,370,000. The tender for the Sale of Arkel Yard NSC/PUR-21(A)/2016-17 was advertised on 21st April 2017 and closed on 9th May 2017 in the Standard newspaper. However only 6 items worth Kes.8.6 million attracted bidders from a total of 52 items worth Kes.217.3million translating to minimum expected sale of 4%. The disposal exercise was not successful hence the company did not sell the items.</p> <p>The disposal minutes are attached for your review.</p> <p>The company is in the process of restarting the disposal process a fresh after the appointment of the company board of directors by the Government of Kenya as per gazette notice no.1902 dated 16th February 2023 and gazette notice no.1905 dated 13th February 2023 attached.</p>		
2.2 Page 2	Installation of CCTV Surveillance System	<p>This project was undertaken by M/S valley point on 15th Nov 2016,there were delays in the completion of the project due to some financial challenges. The project was however completed in March 2021, 10% retention completion certificate issued on 31st March 2021 as attached.</p>	RESOLVE D	
3.1 Page 2	Slow moving and Unutilized Inventories	<p>Nzoia Sugar Company Limited produces brown sugar. Due to increasing demand for white sugar, the Company commenced the process for procurement of syrup clarifier plant that would facilitate the same. In observation of all procurement procedures, this plant was delivered and installed to completion by Suviron equipment PVT limited on 9th of December 2015.</p> <p>Tender for supply of chemicals i.e. 40 tons of colour precipitants magnafloc LT 7991 and 2 tons of floatation polymer magnafloc LT25 for commissioning syrup clarifier was awarded to Shalini Impex on 30/3/2016. These chemicals were</p>	ONGOING	30.06.2024

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		delivered, inspected and received on 9/3/2017. For commissioning of the plant, it was imperative that cane availability is guaranteed to enable the plant run for three months without any major stoppage. We had envisioned this by the time we started the procurement process. However, when we were about to commission the plant, we started experiencing a serious cane shortage due to poaching and drought. This situation saw us mill at least three days in a week which persisted up to the time we closed down the factory. Unfortunate being perishable goods, the chemicals expired.		
3.2 Page 3	Uncleared Goods	The company ordered for goods from overseas worth Kes. 142,712,554 to facilitate maintenance of the factory. By the time they arrived at the port the company had started experiencing cash flow challenges due to inadequate raw materials coupled with poor state of the factory. So far goods worth Kes.54,691,092.98 have been delivered and used for factory maintenance .	ONGOING	30.06.2024
4 Page 3	Unsupported Loan on Long Term Borrowings	The management is following up the documentation from treasury at the same time awaiting the action of the government of Kenya on write-off as per session paper no. 12 of 2012.	RESOLVE D	30.06.2024
5 Page 3	Unsupported Deferred Income Taxation Liability	The company had engaged the services of a tax consultant to carry out the computation of deferred income tax liability. When the company started experiencing cashflow challenges, the consultant terminated the services citing delayed payment thus the reason for maintaining the same figure. However, the company is in the process of engaging another tax consultant to carry out the tax computation.	ONGOING	30.06.2024
6 Page 3	Unsupported Administrative Expenses	Directors expenses on local travels of Kes.2,059,778 were availed during the audit process as billed by the contracted company, Saints Travel & Safaris Ltd, to procure transport services for the directors. The company is still following up on the requested supporting documents by	COMPLET ED	30.06.2024

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		the auditors and will avail them as soon as they are retrieved.		
7 Page 4	Unsupported Provisions and Contingent Liabilities	The audit process had already been completed by the time the company lawyers provided independent confirmation letters to support the contingent liabilities. Supporting documents for contingent liabilities have been attached for your review as provided by the company lawyers.	RESOLVE D	30.06.2024
1 Page 4	Unsupported Trade and Other Receivables	The company owes most of the suppliers on down-payment money for previous supplies hence they demand for upfront pay for current supplies that the company requires for its operations. The advance payments amounting to Kes.7,461,274 had not been accounted for as at the end of financial year 30 th June 2019. So far goods and services amounting to Kes.3,063,397.73 have been delivered.	RESOLVE D	30.06.2024
2 Page 5	Unpaid Salary and Wages	The Company has been undergoing some financial difficulties due to inadequate raw materials owing to cane poaching. This has actually been an industry wide challenge that didn't spare our company. The financial difficulties led to accrual of various obligations, unpaid salary and wages being among them. The company resumed operations mid-February 2020 and has paid the salary arrears for the month of March 2019 to October 2019 amounting to Kes 352,629,352.96 .	RESOLVE D	
3 Page 5	Unutilized Investment Property	The house was last occupied seven years ago by a tenant called Sophia Nyambura who generated huge rent arrears totaling to Kes.1,080,000 causing the company to set in motion the distress for rent process. She moved to court vide Nairobi CMCC No.1130 of 2011, obtained an injunction and continued to enjoy the injunction until such time that she moved out of the premises leaving the house in a state of disrepair and vandalism. The Chief internal auditor after touring the plot in the financial year did a report on its status after which the head of projects went on site to	ONGOING	30.06.2024

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		assess the cost involved to get the facility back to the status of generating revenue. Management has assessed the report but financial constraints have delayed its implementation.		
4 Page 5	Failure to Remit Statutory Deductions	The Company has been undergoing some financial difficulties due to inadequate raw materials owing to cane poaching. This has actually been an industry wide challenge that didn't spare our company. The financial difficulties led to accrual of various obligations, statutory deductions being one of them. The company resumed operations mid-February 2020 and has paid statutory arrears amounting to Kes 200,387,602 as at 30 th June 2022 and Kes.266,496,922 as at 28 th February 2023	ONGOING	30.06.2024
5 Page 6	Unremitted Retirement Benefits Deductions	The Company has been undergoing some financial difficulties due to inadequate raw materials owing to cane poaching. This has actually been an industry wide challenge that didn't spare our company. The financial difficulties led to accrual of various obligations, retirement benefits being one of them. The company resumed operations mid-February 2020 and has paid retirement benefits arrears amounting to Kes.23,317,083.00 as at 30 th June 2022 and Kes.31,138,150.61 as at 28 th February 2023.	ONGOING	30.06.2024
1 Page 7	Long Outstanding Staff Receivables	There are ongoing criminal proceedings against the former staff debtors in Bungoma Chief magistrate court criminal case number 12 of 2019 Staff receivables amounting to Kes.34,114,000 are being recovered through the payroll, as at 30 th June 2022, Kes.21,322,645 had been recovered and the process is still going on monthly.	ONGOING	30.06.2024
1 Page 2 2022-2023	Goods in Transit	The company ordered for goods from overseas worth Kes. 322,061,668 to facilitate maintenance of the factory. By the time they arrived at the port the company had started experiencing cash flow challenges due to	ONGOING	30.06.2024

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		<p>inadequate raw materials coupled with poor state of the factory.</p> <p>Out of Kes.322,061,668, goods worth Kes.60,000,000 were paid by Agriculture and Food Authority, delivered and used for factory maintenance in July 2022, while goods worth Kes.54,691,092.98 paid by the Company have been delivered and used for factory maintenance as per the attached schedule.</p>		
2 Page 2 2022-2023	Property Plant & Equipment	<p>The revaluation loss of Kes.372,000 on capital work in progress and revaluation gain of Kes.2,292,031 in intangible asset resulting to a revaluation surplus of Kes.1,920,134 on statement of changes in equity is as a result of carrying out a reconciliation of all payments made towards ERP system both to the vendor and Kenya Revenue Authority as per the attached schedule.</p>	ONGOING	30.06.2024
3 Page 2 2022-2023	Unsupported Intangible Assets	<p>The revaluation loss of Kes.372,000 on capital work in progress and revaluation gain of Kes.2,292,031 in intangible asset resulting to a revaluation surplus of Kes.1,920,134 on statement of changes in equity is as a result of carrying out a reconciliation of all payments made towards ERP system both to the vendor and Kenya Revenue Authority as per the attached schedule.</p> <p>The net book value of Kes.157,563,000 represents the value of ERP system whose implementation is complete and it is being used by the company in carrying out its day to day operations. The intangible asset is amortised over a period of 20 years as per the intangible asset schedule note.16. The software/system that is fully available for use has been amortised for 20 years from 2017 hence the net value of Kes.157,563,000 as at 30th June 2022. All the supporting schedules and documentations to support intangible asset totaling Kes.157,563,000 were available during the audit. The same has been attached for your review.</p>	RESOLVE D	30.06.2024

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4 page 2 2022-2023	Non-Servicing of Loans	The Company has for quite some time experienced cash flow challenges as a result of poor factory performance due to non-maintenance for over 6 years. The factory has been operating below capacity and frequent breakdowns caused a lot of losses. This impaired our ability to meet a number of obligations including repayment of loans. The company completed its annual factory maintenance in August 2022, envisages to improve on efficiency and thus more production that will generate more revenue to meet the repayment of loans.	RESOLVE D	30.06.2024
5 Page 3 2022-2023	Going Concern	The company faces an acute financial challenge due to aging factory machinery, accrued loan interests, prolonged drought affecting cane growth and development leading to depleted raw cane material for milling. These factors have made the company not able to fully meet its financial obligations as and when they fall due. However, the directors have assumed that the Government of Kenya (GOK) will continue to support the factory and will not demand for the settlement of the outstanding loan amounts. In the event the Government of Kenya demand for the settlement of their net loans, adjustment will be required to restate the assets to their realizable values, to reclassify non-current assets and long-term liabilities to current liabilities and to provide for any further losses and liabilities that may arise. The company is also banking on the implementation of the Treasury Memorandum On Action Plans To Revive and Commercialize The State Owned Sugar Companies presented to parliament on 22 nd August 2023.	ON GOING	30.06.2024
Page 4 2022-2023	Idle Investment Property	The house was last occupied seven years ago by a tenant called Sophia Nyambura who generated huge rent arrears totaling to Kes.1,080,000 causing the company to set in motion the distress for rent process. She moved to court vide Nairobi CMCC No.1130 of 2011, obtained an	ONGOING	30.06.2024

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		<p>injunction and continued to enjoy the injunction until such time that she moved out of the premises leaving the house in a state of disrepair and vandalism.</p> <p>The Chief internal auditor after touring the plot in the financial year did a report on its status after which the head of projects went on site to assess the cost involved to get the facility back to the statuses of generating revenue. Management has assessed the report but financial constraints have delayed its implementation.</p>		
1 Page 4 2022-2023	Unresolved Prior Year	The findings as per the certificate signed by the Auditor General have been fully captured and are being addressed.	ON GOING	30.06.2024
2 Page 4 2022-2023	Long Outstanding Trade & Other Payables	The Company has for quite some time experienced cash flow challenges as a result of poor performance of the factory due to lack of maintenance among other factors. This impaired its ability to meet a number of obligations including the Trade and other payables. Partial maintenance was done on the factory in the months of June to August 2022 and there is improved performance. It is envisaged that improved efficiency will increase production that will generate more revenue to meet the accrued obligations.	ON GOING	30.06.2024
3 Page 5 2022-2023	Excess Wage Bills	<p>The company operating TC/Ts averaged 16.97 against a target of 11.04 during the year under review due to non-maintenance of factory for the last 6 years leading to frequent factory breakdowns, poor performance by mud filters, turbines, boilers, aged filters and low mill extraction.</p> <p>Despite the low total cane to total sugar ratio extraction, the labour costs remained fixed hence exceeding the set legal limit but management expects the ratio to drop to 35% or below when we resume continuously milling. The company completed its annual factory maintenance in August 2022 and expects improved factory efficiency.</p>	ON GOING	30.06.2024

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APPENDIX 1: PROJECTS IMPLEMENTED BY THE COMPANY

	<u>Project/Contractor</u>	<u>Year of Budget</u>	<u>Budget (Ksh)</u>	<u>Contract Sum (Ksh)</u>	<u>Amount paid (Ksh)</u>	<u>Ongoing Jobs</u>	<u>%age Comp.</u>	<u>Remarks</u>
1	Supply of 54TPH boiler modification/ <u>Avant Garde Eng.</u>	2015/16 2016/17	140,000,000.00	126,518,000.00	113,036,000.00	None	50	Items at the Port not Cleared due to Financial
2	Supply, installation & commissioning of mixed juice filtration system & rehabilitation of mud filters/ <u>Shalini</u>	2016/17	93,000,000.00	90,356,000.00	30,340,850.00	None	55	Mud Rehabilitation awaiting Comm. Eng.
3	ERP IMPLEMENTATION	2016/20 17	282,600,000.00	282,600,000.00	212,800,000.00	Ongoing	80	Ongoing
	TOTAL		515,600,000.00	499,474,000.00	356,176,850.00			

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APPENDIX 2: INTER COMPANY TRANSFERS

The Company had no inter-entity transfers as at the end of 30th June 2024

APPENDIX 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

The Company had no transfers from other Government entities as at the end of 30th June 2024