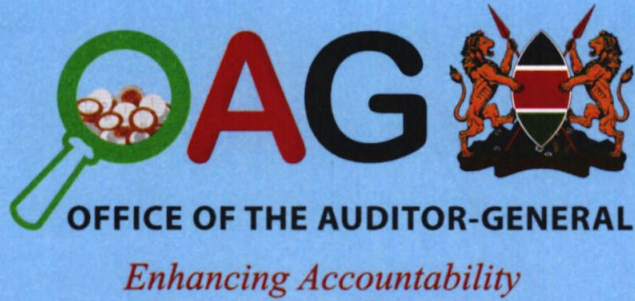


REPUBLIC OF KENYA



# REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	6 <sup>th</sup> APR 2005 Wednesday
TABLED BY:	Hon. Sykenis Asomang Majority Party Whip
CLERK-AT THE-TABLE:	A. Shituko



**THE AUDITOR-GENERAL**

**ON**

**SOUTH NYANZA SUGAR COMPANY  
LIMITED**

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



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**SOUTH NYANZA SUGAR COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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Prepared in accordance with the International Financial Reporting Standards.

South Nyanza Sugar Company Limited  
Annual report and Financial Statements for the Year ended 30 June 2024

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## CORPORATE INFORMATION

### Background information

South Nyanza Sugar Company Limited, also known as SonySugar was established by the Act of Parliament under Companies Act (Cap. 486) on 5 July 1976 as a public limited liability Company. The Company grows sugar cane, manufactures and sell sugar. At cabinet level, the entity is represented by the Cabinet Secretary for Agriculture and Livestock Development who is responsible for the general policy and strategic direction of the entity. The entity is domiciled in Kenya.

**Our Vision:** To be the leading manufacturer of sugar and associated products in Africa.

**Our Mission Statement:** To manufacture high quality sugar and associated products.

**Our values:** The mission and vision of the Company shall be accomplished and realized by embracing the following core values: Customer focus, Intrapreneurship, Teamwork, Timeliness, Integrity and Professionalism, Social Responsibility and safety.

### DIRECTORS

The Directors who held office during the year and to the date of this report were:

Hon. Jared O. K'Opiyo	Chairman.
Mr. Martine Dima	Managing Director ((Appointed 17.05.2024)
Mr. Tobias Osano	Alternate – Principal Secretary, Ministry of Agriculture and Livestock Development.
Mr. Humphrey Muhu	Alternate – Cabinet Secretary, the National Treasury (Appointed 09.01.2024)
Ms. Penina Mukami	Alternate – Cabinet Secretary, The National Treasury (Retired
Ms. Mary Akoth Were	Director.
Ms. Laura Abishag Matiko	Director.
Mr. Kipkoech Kirui	Director.
Ms. Catherine Wangamati	Director.
Mr. Douglas Kailanya	Director

The Directors and alternates continue in office in accordance with the provisions of the articles of association of the Company.

### SENIOR MANAGEMENT

Martine Dima	Managing Director
George O. Onyango	Head of Finance (Ag)
Maurice Omondi	Company Secretary-(Ag) ICPSK Reg. No. 1386
Patrick Mugenya	Head of Manufacturing (Ag)
Joseph Kegwaro	Head of Marketing & Business Development (Ag)
Boniface Odhiambo	Head of Agriculture (Ag)
Dan Oyamo	Head of Human Resources (Ag)
James Oluoch	Head of ICT
David Achola	Head of Procurement (Ag)
Kennedy O. Onyango	Audit Manager

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**CORPORATE INFORMATION (CONTINUED)**

**REGISTERED OFFICE**

PO Box 107 - 40405  
Sare-Awendo, Migori County,  
KENYA

Tel:+254-20 8029201-3  
+254 722 205 345/6/7  
+254 733 333 348/9

Email:administration@sonysugar.co.ke

Website:www.sonysugar.co.ke

**BANKERS**

Co-operative Bank  
P.O. Box 20818 - 00100  
NAIROBI

Kenya Commercial Bank Ltd  
P. O. Box 54 - 40400  
SUNA

National Bank of Kenya Ltd  
P. O. Box 41862 - 00200  
NAIROBI

ABSA Bank of Kenya  
P. O. Box 99 - 40200  
KISII

**INDEPENDENT AUDITOR**

Office of the Auditor General  
Anniversary Towers  
P.O. Box 30084 – 00100  
NAIROBI.

**COMPANY LAWYERS**

1. Okongo,Wandago & Co Advocates  
SUNA MIGORI

2. Otieno Yogo & Co Advocates  
P. O. Box 2453-40100  
KISUMU

3. Otieno Ragot & Co Advocates  
P. O. Box 1003-40100 KISUMU

4. Moronge & Co Advocates  
Electricity House 9th Floor  
P. O. Box 44289-00100  
NAIROBI

5. TRIPLEOKLAW  
P.O. Box 43170-  
00100 NAIROBI

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**BOARD OF DIRECTORS**



***Hon Jared O. K'opiyo***  
***Board chairman***



***Mr. Douglas Kailanya***  
***Director***



***Mr. Martine Dima***  
***Managing Director***



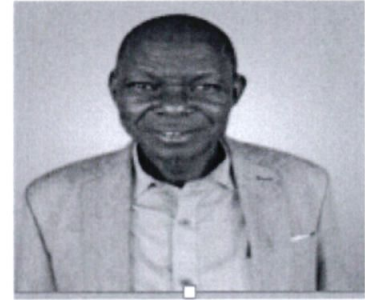
***Ms. Catherine Wangamati***  
***Director***



***Mr. Kipkoech Kirui***  
***Director***



***Ms. Mary Atieno Were***  
***Director***



***Mr. Erick Osenya***  
***Director***



***Ms. Laura Abishag Matiko***  
***Director***



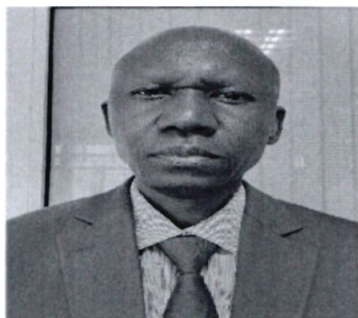
***Ms. Theodora Gichana***  
***Rep. I.G State Corporations***



***Ms. Peninnah Mukami***  
***Rep. C.S. National Treasury***

**Retired 08.01.2024**

**BOARD OF DIRECTORS (CONTINUED)**



**Mr. Tobias Okongo Osano**  
**Rep. PS MoA, L. Development**



**Mr. Humphrey N. Muhu**  
**Rep. C.S. National Treasury**  
**Appointed 09.01.2024**

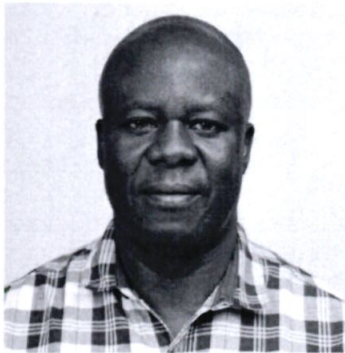
**Directors' qualifications and experience**

SN	DIRECTOR	DATE OF APPOINTMENT	COUNTY OF ORIGIN	HIGHEST LEVEL OF EDUCATION
1	HON. JARED O. K'OPIYO	14.04.2023 (BOARD CHAIRMAN)	MIGORI	BACHELOR OF EDUCATION (ARTS)
2.	MR. HUMPHREY MUHU	09.01.2024 (ALTERNATE TO CS, NATIONAL TREASURY)	KIAMBU	MA, ECONOMICS, BSC STATISTICS: BPhil ECONOMICS, DIPLOMA, FINANCIAL MANAGEMENT
3	MR. TOBIAS OSANO	14.04.2023 (ALTERNATE TO PS, PARENT MINISTRY)	HOMABAY	MA (INTERNATIONAL STUDIES – DEV. & COOPERATION) BA (ECONOMICS) , CPA (K)
4	MR. ERICK OSENYA	14.04.2023 (INDEPENDENT DIRECTOR)	KISUMU	PhD INDUSTRIAL PLANNING, MSC INDUSTRIAL PLANNING, DEGREE IN MGT SCIENCE
5	MS. MARY AKOTH WERE	14.04.2023 (INDEPENDENT DIRECTOR)	SIAYA	MA (PROJECT PLANNING & MANAGEMENT), BSC AGRIBUSINES, CPA II
6	MS. LAURA ABISHAG MATIKO	14.04.2023 (INDEPENDENT DIRECTOR)	MIGORI	BSC (PROJECT PLANNING & MANAGEMENT)
7	MR. KIPKOECH KIRUI	14.04.2023 (INDEPENDENT DIRECTOR)	UASIN GISHU	BBM(HR OPTION), DIP HUMAN RESOURCE MANAGEMENT, CPA
8	MS. CATHERINE WANGAMATI	08.09.2023 (INDEPENDENT DIRECTOR)	BUNGOMA	MASTERS OF INTERNATIONAL LAW AND ECONOMICS (MILE) MASTERS OF LAWS POSTGRADUATE DIPLOMA IN LAW, KSL, 2005
9	MR. DOUGLAS KAILANYA	14.04.2023 (INDEPENDENT DIRECTOR)	MERU	MBA (ADMINISTRATION), BCOM ACCTS, (CPAK)

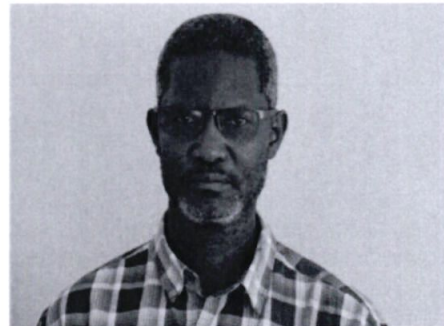
**SENIOR MANAGEMENT**



**Martine Dima**  
Managing Director  
MBA Finance, BSc Mathematics & Chemistry



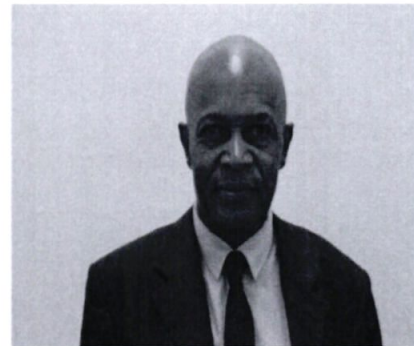
**Bonface Odhiambo**  
Head of Agriculture (Ag)  
BSc Agriculture  
Diploma in Agricultural Engineering



**Patrick Mugenya**  
Head of Manufacturing (Ag)  
BSc Mechanical Engineering



**George O. Onyango**  
Head of Finance (Ag)  
MBA-Finance; B. Com- Finance; CPA(K)



**Dan B. Oyamo**  
Head of Human Resource (Ag)  
BA – HND Hum. Res. Mgt



**Maurice Omondi**  
**Company Secretary (Ag)**  
**LLB Honors**



**David Achola**  
**Head of Procurement (Ag)**  
**BSc Procurement and Logistics**  
**B.Ed. Economics, Professional Dip. CIPS**



**Joseph Mwangi Kegwaro**  
**Head of Marketing and Business Dev. (Ag)**  
**BBA (Marketing)**



**James Oluoch**  
**Head of ICT**  
**MBA Strategic Management,**  
**BBA Mgt Info. System**



**Kennedy Onyango**  
**Audit Manager**  
**MBM Finance, Bsc Accounting, CPA(K), ACCA**

## **CHAIRMAN'S STATEMENT**

The Board of Directors of South Nyanza Sugar Company Limited is pleased to announce its financial results for the year ended 30th June 2024.

We have delivered these results in a period deeply impacted by unfair competition characterized by cane poaching by our competitors leading to acute shortage of raw material, adverse weather conditions that affected the region and high cost of inflation that greatly affected importation of critical spares.

While we acknowledge a more challenging operating environment, our underlying business is resilient as indicators still points to a better future following the strategies put in place to revive the Company. We strongly believe that we will navigate the shifting economic landscape within the sugar industry and emerge strong in the financial year ending June 2025.

### **Implementation of the BETA agenda**

The Government's Bottom-Up Economic Transformation Agenda (BETA), supports the five pillars; Agricultural transformation, Micro, Small and Medium term Enterprise (MSME) economy, Healthcare, Housing and settlement and digital superhighway and creative industry of the Vision 2030 of which agricultural transformation ensures there is adequate food security which strives to have a healthy population. The plan emphasizes on optimization and effectiveness aimed at achieving high productivity. Factory rehabilitation remains a major activity towards achieving our plan. Other activities include improved health care for staff and medical camps to the general public, improved housing facilities to the staff, increasing area under cane through turnaround strategy of increasing sugar production through enhanced efficiency and effective Management Process.

### **Macroeconomic Environment**

According to Kenya Bureau of statistics and the economic survey 2024, the overall year inflation rate as measured by the Consumer Price Index (CPI) was 4.6 per cent, in June 2024. The inflation was largely due to increase in prices of commodities under Food and Non-alcoholic Beverages (5.6%); and Housing, Water, Electricity, Gas and other fuels (3.1%); and Transport (7.7%) between July 2023 and June 2024.

Kenya's annual economic growth picked up to 5% in the first, Ht quarter of 2024, compared with downwardly revised growth of 3% in the prior three-month period. It was the strongest growth rate in a year, amid a sharp rebound in the dominant agricultural sector. GDP is projected to grow by 6.0% in 2024, driven by services and household consumption. Inflation is projected to rise to 4.4% in 2024, driven by food and energy inflation. Monetary policy is expected to remain tight. The fiscal deficit is expected to narrow to 5% in 2024, in line with the fiscal consolidation path. Global inflation is forecast to rise to 4% by 2025.

Sugar sub-sector will continue to play a big role in economic development as most sectors in the economy depend on sugar as input in production chain.

### **Strategic focus**

Despite the operating environment headwinds, the Board of Directors of South Nyanza Sugar Company Limited affirms its confidence in our strategy and our commitment to delivering sustainable growth. We will continue to deliver on our strategy with focus on improving performance and manage cost and investments effectively. We remain deeply committed to environmental stewardship, social responsibility, and governance practices that align with our values and guarantee long-term sustainability in line with Bottom up Economic Transformation Agenda.

### **Results, Business & Operating Environment**

During the year under review, our business has navigated an increasingly complex operating landscape characterized by a host of macro-economic headwinds. Specifically, acute shortage of raw material-cane affecting the industry and inflationary pressure that impacted on cost of inputs resulting to increased cost of doing business. Further, currency deterioration, higher taxes and rising interest rates particularly in Kenya further impacted our business performance.

## CHAIRMAN'S STATEMENT (Continued)

### Business Review

Gross revenue dropped by 41% from Kshs 4.8 Billion to 2.8 Billion and average recovery ratio dipped from 8.84% to 7.6%. This was occasioned by inadequate raw material supply which came about as a result of cane poaching and harvesting of underage cane thus resulting in low sucrose content. The Company plans to achieve the industry standard ratio of 10% with continuous production in the forthcoming financial year.

On the business front, and with the fact that Kenyan economy being market-based with a liberalized external trade system, the Company was badly affected by unfair business practices as a result of raw material price wars and cane poaching. Nevertheless we remain positive and we will continue to implement our wide-ranging corporate strategy in line with Government agenda.

### The Sugar Industry

The year ended 30.06.2024 was a difficult year for the industry. The status and importance of sugar as a source of livelihood and viable economic concern is under threat from various challenges and factors in the sugar industry and the country as a whole. Major threats include acute shortage of raw material (cane) due to cane poaching and high inflation that increased the cost of doing business. This in turn led to low productivity and low income to farmers.

Through new legislations, we envisage fair competition and growth in the coming year 2024/2025.

### Corporate Governance

After operating without a Board pursuant to dissolution of the Board on 3<sup>rd</sup> August 2020, the Government did via gazette notice dated 14<sup>th</sup> April 2023, reconstituted the Board through appointment of the Board Chairman and six non-executive independent Board members. In addition there are two alternate Directors from the parent ministry and National Treasury.

The Board has displayed great commitment, diligence and effectiveness in carrying out its responsibilities and providing wise guidance to management, ensuring we continue to deliver value to our stakeholders at all times.

As a Board, strengthening decision making processes throughout the organization remains our key priority. We will continue to support management in its strategy of transforming the organization in line with Government regulations.

Directors are satisfied that the Company has to the best of their knowledge, complied with all applicable laws and conducted its business affairs in accordance with the law. I wish to sincerely thank all the Board members for their contributions during the year.

### Conclusion

I would like to acknowledge the contribution of the Managing Director and all our employees for the responsive and skilled execution of our strategic goals – efforts that enabled us to deliver the current result during a difficult year characterized by intense competition



----- 2024

Hon Jared O. K'Opiyo  
Chairman, Board of Directors

## **REPORT OF THE MANAGING DIRECTOR**

I am pleased to present to you performance of Nyanza Sugar Company Limited (Sonsugar) for the year ended 30 June 2024. During the year the Company experienced unfair price wars due to raw material shortage brought about by private millers and jaggeries and unfair competition occasioned by increased presence of cheap imports and counterfeit products in the market. Despite these challenges, we remain focused on our strategic initiative to deliver on our mandate. With an accelerated improvement on efficiency, we are committed to ensuring steady and reliable performance as we focus on cane development.

### **Operating Volumes**

Despite the shortage of raw material in the sector that affected target deliveries, the Company milled 274,639 tons of cane in the period under review against a budget of 550,000 tons. This performance was 49.93% achievement on budget. In the same period last year, the Company milled 457,616 tons of cane.

The conversion ratio (rendement %) during the period under review was 7.6% against a budget of 10%. This was 2.40 units below the budget. Rendement of 8.84% was realized in the same period last year.

Sugar produced in the period was 20,855 tons against a budget of 55,000 tons. This was 36.78% achievement on budget, and is 19,724.39 tons below the 40,580 tons produced in the same period last year. This decrease was due to cane shortage that has hit the sugar sub-sector.

### **Revenue**

The average per ton prices that ruled in the year were higher than the budgeted prices. The average gross price per ton of Kshs. 140,580 was 37.9% above the budgeted gross price of Kshs. 101,943. Total net revenue realized in the period was Kshs. 2,451 million.

### **Production Costs**

The cost of production per ton of sugar in the period averaged Kshs. 112,323 (867 USD), with a positive contribution margin of Kshs. 15,256 per ton. This significant increase in cost per unit is attributable to high inflation rate, lower fixed costs occasioned by low capacity utilization as a result of plant down time and low sugar recovery ratio. In the same period last year, the cost of production per ton of sugar averaged Kshs. 114,148 (881 USD), with a positive contribution margin of Kshs. 17,198.

### **Farmers Payments**

During the year, the Company paid Kshs. 1,100.5 million to cane farmers and other related service providers including land development contractors, weeders, cane cutters and transporters.

### **Cane Area**

Measures have been put in place to secure raw materials from farmers through weekly field demonstration meetings so as to enhance planting and sourcing for mature non-contracted cane. The team leaders for this exercise are area managers in their respective areas. Management has also appointed cane scouting team who have been tasked to source for mature cane independent of the areas covered in the field demos.

### **Business Environment**

The current acute cane shortage in the nation will impact negatively to overall production of sugar in the local market. As a result the sugar stocks are projected to be low as compared to projected demand, meaning the sugar prices in the local market are anticipated to be stable in the year 2024-2025 if the current level of duty free sugar imports is controlled.

### **Managing Director's report (continued)**

Additionally inflation rate is also projected to be high in the next year as annual inflation rate in June 2024 eased marginally to 4.4% as reported by Trading Economics Global Macro Models and Kenya National Bureau of Statistics July 2024. Prices of Fast Moving Consumer Goods (FMCG) are also expected to be high due to the increase of VAT on fuel to 16%. Cross boarder trade and incidences of counterfeits are anticipated to continue. Branded sugar prices is projected to be stable and Management will endeavour to maximize the production and sales of branded sugar with a view of maximizing revenue growth.

### **Human Capital**

The Company recognizes the importance of harmonious industrial relations in achieving the current growth. There was constructive engagement between the union and the management that ensured employee participation leading to uninterrupted company operations. Despite financial constraints, The Company attaches great importance to the welfare and health of its workers. This is through professionally managed medical centre and provision of comprehensive medical insurance cover in addition to basic needs.

Save for the drop in manning levels occasioned by natural attrition and Government directive that froze staff replacement, resilience demonstrated by this team in achieving the current result is beyond measure. The Company is currently pursuing approval of human resource instruments that will unlock the process and address human capital related challenges alluded thereto. The Company is current in salary payments except for salary arrears forwarded to the National Treasury for consideration.

### **Litigation, Legal Exposure & Compliance with Laws**

Even though the cases against the company went down significantly due to measures put in place by the management, it still remains a challenge to the company due to several undecided cases. These are cases filed against the Company for breach of cane growing contracts stretching back over 10 years. Management continues to reach out to several complainants, who having lodged claims against the Company, have upon discussions, agreed to withdraw such cases filed against the Company. These measures are expected to reduce the numbers to the limits that are manageable and bringing into control litigation against the company.

### **Strategic Focus**

We remain confident that our corporate strategy and strategic priorities will continue to counter the current challenges of high inflation and cane shortage in the industry. Despite limited resources, we have put in place measures aimed at improving efficiency of the factory through Annual Plant Maintenance, raw material sustainability and stakeholders' involvement. Our strategic focus which are in line with the Country's line of sight, Vision 2030 agenda target the following broad areas:

#### **1. Agriculture Operations**

The year under review was characterised by low cane yield because most fields were not adequately fertilised due to shortage of fertilizer and high cost of farm inputs experienced in the country.

The Company is currently working on aggressive cane development targeting over 4,000 Ha progressively over the next year. This is a move aimed at bridging the cane shortage gap created through unfair business practices by our competitors through cane poaching.

To ensure steady supply of cane, we have entered into partnership with the farmers through continuous engagement and training on effective and profitable farming practices.

#### **2. Manufacturing**

Despite the current market forces, The Company expects to maintain a favourable outlook in the next year. We have put in place, measures that will see us remain competitive and guarantee stability. We

### **Managing Director's report (continued)**

plan to carry out another factory maintenance in the next financial year aimed at further improving on production.

However, the biting sugarcane shortage will continue to hamper realization of operating potential of the factory post-APM scheduled mid October and November 2024.

A few challenges still persist and these may affect performance in the next Quarter.

These include.

- i) Weak main raw water supply line from the river station, which is prone to failure thus disrupting water supply. Replacement of this line which has been in service for more than 43 years is planned to be carried out in the succeeding year.
- ii) Diminishing personnel competencies and skills deficiencies due to sustained natural attrition, and little / no staff training due to cash flow constraints by the Company. Management will partner with Kenya School of Government to carry out in house training so as to better equip staff with the required management and leadership skills.
- iii) Weak Mill Intermediate Carrier chains, that are prone to breakdowns. New chain is on order.
- iv) Inadequate stocks of dry bagasse due to intermittent milling operations occasioned by low cane supply volumes.

### **3. Information Communication Technology**

We value Information Communication Technology (ICT) as a key in driving the business processes and ensuring data security within the organisation.

We will continue to support investment in ERP systems which we regard as pillars in driving our competitiveness through capacity building. In the next financial year, plans are in place to establish the data centre and improve network infrastructure.

### **4. Business Environment**

During the year, the Company operated in an environment that was characterised by continuous changes in sugar cane prices by private millers occasioned by cane shortages in the industry. Unfair business practices as a result of cane poaching greatly eroded our investment in cane development.

#### **Appreciation**

I sincerely thank the Board of Directors for their wise guidance in the implementation of our strategies. Their stewardship of the organisation has been invaluable and essential to our success.

My gratitude also goes to the entire South Nyanza Sugar Company Limited family for their resilience and dedication to our corporate theme of being the best in the industry as we continue to deliver on our strategic aspirations. As a team, we shall continue to harness and direct all our efforts in utilization of available opportunities in order to sustain the upward growth in revenue and factory stability.

I also wish to recognise the role played by our esteemed customers and suppliers, who continue to support our various initiatives whenever we call upon them.

Once again, I take this opportunity to express my sincere gratitude to our shareholders; The Permanent Secretary, State Department of Crops, Ministry of Agriculture and Livestock Development for visionary leadership and guidance throughout the year, and the Government of Kenya for their distinguished

**Managing Director's report (continued)**

role in helping us achieve our mandate through both policy and budgetary support realized by paying farmers arrears alongside writing off historical GOK loans.

I look forward to your continued support as we move to make Sonysugar an institution of impact in the country.



29<sup>th</sup> November 2024

Martine Dima  
**Managing Director**

## STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

During the year under review, the company did not achieve its targets in terms of revenue generation due to unfair completion where other competitors were poaching raw material they did not invest in developing. This resulted to cane shortage subjecting us to low level of activities from input output perspective. Consequently, the Company did not achieve a 15% Return on Capital Employed (ROCE) as per the strategic plan targets/projection.

As the previous year, the Company operated under unfavourable operating environment as explained below;

1. Aggravated cane shortage due to cane theft by our competitors affecting plant capacity utilization, product availability and revenue generation. Apart from intense cane theft, yields were also on a downward trend, largely due to inadequate/erratic supply of fertilizer and drought realized for the better part of the year.
2. Limited cash flow incapable of covering pending bills and general operations effectively.
3. shelved or delayed development plans such as cane development due to cash constraints,

As a result of the above challenges, the company did not achieve the following strategic objectives during the year ended 30<sup>th</sup> June 2024:

1. Increase market share of sugar market from 12% to 15%
2. Developing new products aimed at satisfying existing and emerging consumer needs that would increase the revenue streams.
3. Due to constrained cash flows, operationalisation of efficiency in business processes covering cane production, soil management, propagation of improved cane varieties, improved extension services, reorganization of extension services among others were not properly funded as a result of operational circumstances. These activities are important in enhancing milling and sugar recovery efficiencies
4. Planned diversification investments were never realized due to lack of funding, this denied the business additional revenue streams that would have cushioned it against fluctuation of sugar prices.
5. Sugar production was below the target throughout the period. This adversely impacted sales volumes, revenue generation and profitability, a situation that put the company in an adverse financial position.

Irrespective of the above challenges, the future outlook is good as a result of improvement in cane supply realized following up to date payment of cane supplies.

To achieve optimal utilization of human capital, the Company is in the process of implementing appropriate capacity building and up skilling and at the same time focusing on results management. This will help to mitigate the high level of staff turnover.

The company is also addressing the variables that determine the quality of cane such as delay in transportation, overstay in the yard amongst others, efforts are being made to revamp targeted unit processes in the front end of the sugar plant and process area to cover lost grounds in the year ending 30.06.2024.

## STATEMENT ON CORPORATE GOVERNANCE

Corporate governance is the process and structure by which Companies are directed, controlled and held accountable in order to achieve long term value to shareholders taking cognizance of the interest of other stakeholders.

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

### Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined. After operating without a Board pursuant to dissolution of the Board on the 3th August 2020, the Government did via gazette notice dated 14th April 2023, reconstitute the Board through the appointment of the Board Chairman and six no-executive independent Board members.

Alternate Directors from the parent ministry and National Treasury also sat 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 strive to ensure that the Company complies with the provisions of the constitution and all applicable laws, regulations, codes and applicable standards. The Board had puts in place internal procedures and monitoring systems to promote compliance with strategic objectives of the Company and submits compliance reports on all statutory obligations to the respective Government Departments/Agencies within the specified timelines.

In further compliance with the provisions of Mwongozo Code of Conduct, the Board should 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.

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 assumed 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. His role is to advise the Board on all corporate governance matters as well as prevailing statutory requirements coupled with taking minutes at all Board meetings/functions.

### Board Meetings

Meetings of the Board are held on a regular basis as per approved Board calendar. Special meetings are called when it deems necessary to do so in order to handle an urgent matter that could not otherwise await a normal Board meeting.

### Committees of the Board

A Committee is intended to facilitate efficient decision making of the Board in the discharge of its mandate and obligations.

**(STATEMENT ON CORPORATE GOVERNANCE CONTINUED)**

Relevant Committees of the Board are as discussed below:

**Board Audit & Risk Committee**

This is one of the mandatory committees mentioned in the Mwongozo Code of Governance for State Corporations. The Committee assists the Board in fulfilling its corporate governance responsibilities and in particular to;

- a) Review effectiveness of the Company's internal control system to ensure adherence to the framework for financial regulations.
- b) Provide comprehensive view of the organization's risk profile to the Board of Directors.
- c) Review compliance with relevant legislations, policies and procedures.
- d) Liaise with the external auditors on Company's Audit matters.
- e) Review the adequacy of accounting, financial and operational controls.
- f) Coordinating decision making to ensure consistency in the risk management process.
- g) Monitor the on-going performance of the Enterprise Risk Management Process.
- h) Review completeness and accuracy of financial statements and disclosures in accordance with financial reporting standards and applicable rules and regulations.
- i) Review whether the Company has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgments.
- j) Clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context.
- k) Related information presented with the financial statements, including the business review, and corporate governance statements relating to the audit and to risk management.
- l) Ensure that strategic plan and strategic risks are periodically reviewed.

**General Purpose Committee**

The Committee reviews all staff related policies and provides recommendations on issues relating to all human resource matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare.

**Board Finance Committee**

The Committee assists the Board in fulfilling its oversight responsibilities relating to the Company's finance, procurement, investment strategies, projects and related activities. The focus of this committee is on the following:-

- a. Review of Financial Management Systems to ensure compliance thereof.
- b. Adoption and review of Accounting policies and practices in line with general Accounting principles.
- c. Advising on Financial Management issues.
- d. Advising on appropriate Capital of the Company.
- e. To Develop Latest Estimates, budgeting and put budgetary controls in place.
- f. Developing and reviewing Performance Contract.
- g. Review of quarterly, half-year and year-end financial statements of the Company focusing particularly on Performance.
- h. Overseeing financial accounting reporting compliance.
- i. To ensure proper Accounting documents are in place.
- j. Oversight responsibility on Management Tender Committee (MTC). MTC to provide quarterly progress reports on procurement to FC.
- k. To review Annual Procurement Plan in relation to budget estimates
- l. To ensure efficient and effective procurement and stores management
- m. Oversight responsibility on ICT issues

### Operations Committee

The Committee assists the Board in fulfilling its oversight responsibilities on operations issues such as agriculture, factory performance, marketing and related issues.

### Risk Management and Internal Controls

The Company has established a Risk Management Policy and Framework which enables Management to consider Risk Implications in all Investments Decisions. This has helped the Company minimize exposure to Risks that may impede efforts to achieve its set Strategic Objectives.

Effective Risk Management Process has been achieved through continuous risk assessment by the respective functional Heads and put in place mitigation strategies on risks facing the Organization. Internal Audit Department also plays a major role in continuous monitoring as well as identification of emerging risks and provide timely reports to the Board Audit and Risk Committee on the effectiveness of Risk Management Process.

The Company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Company.

The Board also considers management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major and emerging issues and strategic opportunities for the Company.

### Directors' Emoluments and Loans

The aggregate amount of emoluments paid to directors during the financial year is as tabulated below.

S/N	Meeting	Approved	No. of Meetings	Actual Spent per 'Kes'	Annual Budget 'Kes'
1	Finance Committee	4	4 Ordinary meetings	1,583,520	2,733,600
2	Operations Committee	4	4 Ordinary meetings	1,583,520	2,733,600
3	General Purposes Committee	4	4 Ordinary meetings	1,583,520	2,733,600
4	Risk And Audit Committee	4	4 Ordinary meetings	1,583,520	2,733,600
5	Main Board Meeting	4	4 Ordinary meetings	3,483,120	4,407,200
	Special Committee meetings (OPC)	4	1 Special meeting	309,600	2,733,600
6	Main Board Special Meetings	4	4 Special meetings	3,483,120	4,407,200
7	Other Board activities			5,426,533	7,517,600
	<b>Total</b>			<b>19,036,452</b>	<b>30,000,000</b>

**(STATEMENT ON CORPORATE GOVERNANCE CONTINUED)**

During the year, The Company had Special Board meetings which were for approval of Human Resource instruments to State Corporations Advisory committee (SCAC) which had a submission deadline, approval of draft Financial Statements for the fiscal year 2022/2023 for onward submission to the Office of the Auditor General (zoom meeting) and for the recruitment of a substantive Managing Director. The Parent Ministry gave an approval for holding a special Board meeting on the 22.12.2023 in which meeting the Board undertook a shortlisting exercise of the applicants to the position of the MD. The Ministry also gave concurrence for a special meeting (Operations committee & main board) that was held on 22<sup>nd</sup> and 23<sup>rd</sup> February 2024 whose main agenda item was the review of Agriculture department in view of the acute cane shortage that the Company was facing.

**Creating Shareholders' Value**

In order to assure shareholders on the Company's commitment to activities that create and enhance shareholder value, the Board signs a performance contract with the Government and sets corporate performance strategies with Management. The Board also continues to perform an annual evaluation exercise to review and audit its role, success and areas of improvements so as to meet the challenges envisaged at the beginning of each year.

**MANAGEMENT DISCUSSION AND ANALYSIS**

The table below analyses the performance of the company during the year ended 30.06.2024

	ACTUAL	BUDGET	ACTUAL	ACTUAL	ACTUAL
OPERATIONS DATA	2023- 2024	2023 2024	2022-2023	2021-2022	2020-2021
Tons of Cane Milled	274,639	550,000	457,616	497,552	370,301
Tons of Sugar Bagged	20,855	55,000	40,580	42,105	25,753
Tons of Sugar Sold	20,228	55,000	40,509	41,406	25,749
Tons of Molasses Sold	7,897	16,500	15,600	20,061	13,666
FINANCIAL DATA	ACTUAL	BUDGET	ACTUAL	ACTUAL	ACTUAL
	Ksh'000'	Ksh'000'	Ksh'000'	Ksh'000'	Ksh'000'
Sales Revenue	2,451,381	4,833,527	4,176,335	3,635,273	2,054,057
Other Revenue	220,535	252,150	252,260	2,411	2,942
<b>Total Revenue</b>	<b>2,671,916</b>	<b>5,085,677</b>	<b>4,428,595</b>	<b>3,637,684</b>	<b>1,990,621</b>
Total Direct Costs	2,362,184	3,408,615	2,191,349	2,251,600	1,584,303
Total In-Direct Costs	878,696	1,572,394	2,325,895	1,782,505	1,513,020
<b>Total Operating Costs</b>	<b>3,240,880</b>	<b>4,981,009</b>	<b>4,517,244</b>	<b>4,034,105</b>	<b>3,097,323</b>
<b>Operating Profit/(Loss)</b>	<b>(568,964)</b>	<b>104,668</b>	<b>(88,649)</b>	<b>(396,421)</b>	<b>(1,106,702)</b>
Finance Costs	(130,872)	68,552	426,336	(120,414)	(199,112)
<b>Pre Tax Profit/Loss</b>	<b>(699,836)</b>	<b>36,116</b>	<b>(514,985)</b>	<b>(516,835)</b>	<b>(1,305,814)</b>

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Corporation Tax	(3,718)	(10,835)	(862)	-	(291)
<b>Profit/Loss After Tax</b>	<b>(703,554)</b>	<b>25,281</b>	<b>(515,847)</b>	<b>(516,835)</b>	<b>(1,306,10)</b>

PER TONNE (KSHS.)	ACTUAL	BUDGET	VARIANCE	Jun-23	% Change	Annual
Revenue - Gross	140,580	101,943	38,637	119,592	18%	101,943
Revenue - Net	121,190	87,882	33,308	103,097	1%	87,882
Direct Cost per Ton	113,265	42,729	(70,536)	85,898	-10%	42,729
<b>Contribution Margin</b>	<b>7,925</b>	<b>45,153</b>	<b>103,843</b>	<b>17,198</b>	<b>86,645</b>	<b>45,153</b>
Indirect Cost Per Tonne	12,716	6,037	(6,679)	28,250	55%	6,037
Total Cost - Before fin. charges	125,981	48,766	(77,215)	114,148	-10%	48,766
Finance Charges	6,275	1,246	(11,736)	10,506	-24%	1,246
<b>Total Cost - After finance charges</b>	<b>132,256</b>	<b>50,012</b>	<b>(88,951)</b>	<b>124,654</b>	<b>-11%</b>	<b>50,012</b>
Direct Cost Per 50Kg Bag	5,663	2,136	(3,527)	4,295	-31.9%	2,136
Total Cost per 50Kg Bag	6,613	2,501	(4,448)	6,233	-11.5%	2,501
Gross Revenue per 50Kg Bag	7,029	5,097	1,932	5,980	-17.5%	5,097
Net Revenue per 50Kg Bag	6,059	4,394	1,665	5,155	-17.5%	4,394

**Five year performance Summary**

Year	30-Jun-24	30-Jun 23	30-Jun-22	30-Jun-21	30-Jun 20
<b>Statement of comprehensive income</b>	<b>Kes'000</b>	<b>Kes'000</b>	<b>Kes'000</b>	<b>Kes'000</b>	<b>Kes'000</b>
Revenue	2,671,916	4,422,305	3,635,362	2,054,057	353,973
Loss after tax	(635,102)	(515,847)	(516,942)	(1,306,386)	(1,656,308)
	<b>30-Jun-24</b>	<b>30-Jun-23</b>	<b>30-Jun-22</b>	<b>30-Jun-21</b>	<b>30-Jun-20</b>
<b>Statement of financial position</b>					
Total assets	4,946,788	4,998,066	5,228,067	5,250,733	5,486,103
Total liabilities	5,983,077	9,826,257	9,583,495	9,101,152	7,993,407

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Total equity	(1,036,289)	(4,828,191)	(4,355,428)	(3,850,419)	(2,507,304)
Net working capital	(2,498,287)	(7,076,019)	(6,691,358)	(6,509,515)	(5,365,488)
<b>Five year operational performance summary</b>					
<b>Year</b>	<b>30-Jun-24</b>	<b>30-Jun-23</b>	<b>30-Jun-22</b>	<b>30-Jun-21</b>	<b>30-Jun-20</b>
Milled cane(tons)	274,639	457,616	497,552	370,301	133,270
Sugar sold(tons)	20,228	40,509	41,406	25,749	4,540

This report covers the period from 1<sup>st</sup> July 2023 to 30<sup>th</sup> June 2024. Due to low operating levels, there was no planned factory shutdown and all the 366 days of the 4 Quarters were available for operations.

Factory stops summed to 1,398 hours against a budget of 648 hours. This was mainly due to, among others, breakdowns of Turbine Alternator 2 - TA2 oil pump, mill intermediate carriers, Boiler #2 Induced Draft (ID) fan motor and Secondary Air fan, cane feeding equipment and bagasse conveyors, in addition to boiler tube leaks and shortage of dry bagasse. The factory was idle for 5,172 hours due to lack of cane, against a budget of 2,040 hours.

#### Operating Volumes

The Company milled 274,639 tons of cane for the period ended June 2024 against a budget of 550,000 tons. This performance was 45% achievement on budget. In the same period last year, the Company milled 457,616 tons of cane.

The conversion ratio (rendement) during the period under review was 7.60 against a budget of 10.00. This was 2.4 units below the budget. Rendement of 8.84 was realized in the same period last year.

Sugar produced was 20,855 tons, a 37.92% achievement against the budgeted production of 55,000 tons. In comparison, 40,580 tons produced in a similar period last year. This decrease was mainly due to cane shortage and low cane quality, consequently low recovery

Sugar sold during the year was 20,228 tons against a budget of 55,000 tons which is 34,772 tons below the budget and also below same time last year's performance of 40,509 tons by 20,281 tons. Molasses sales was 7,897 tons against a budget of 16,500 tons.

#### Revenue

The per ton prices that ruled in the year were higher than the budgeted prices. The average gross price per ton of Kshs. 140,580 was 18% above the budgeted gross price of Kshs. 101,943. Total revenue realized in the period was Kshs. 2,844 million and Kshs. 206 million from sugar and molasses sales respectively.

Sugar sales fell below the budgeted revenue of Kshs. 5,607 million by 2,763 million while molasses sales were above the budgeted revenue by 30 million

#### Production Costs

The cost of production per ton of sugar in the period averaged Kshs. 125,985 (899 USD), with a positive contribution margin of Kshs. 7,925 per ton (*Difference between Net Revenue per ton and the Direct Costs per Ton*) as compared to the budgeted average of Kshs. 97,532 (696 USD) with positive contribution margin of Kshs. 2,424 per ton. This significant increase in cost per unit is attributable to high inflation rate, lower fixed costs occasioned by low capacity utilization as a result of plant down time and below target

### **Management discussion and analysis (continued)**

sugar recovery ratio. In the same period last year, the cost of production per ton of sugar averaged Kshs. 114,148 (298USD), with a positive contribution margin of Kshs. 17,198.

Contribution margin is a measure of production efficiency, and shows what portion of sales revenue is available to finance operations in administrative departments.

### **Farmers Payments**

The President committed to pay off farmers balances as at June 30, 2023 so as to pave way for leasing among other debts. The Company was allocated Kes. 865 million of which it submitted a listing. A part payment of Kes. 684 million was done on 31<sup>st</sup> January, 2024 leaving an outstanding balance of Kes. 181 million which the

Company is still pursuing. For the year under review the Company made payments totalling Kes. 1,100.5 M to farmers and cane related payments.

### **Cane Milling, Conversion and Sugar Production**

The Company milled 274,639 tons of cane for the period ended June 2024 against a budget of 550,000 tons. This performance was 45% achievement on budget. In the same period last year, the Company milled 457,616 tons of cane. The conversion ratio (rendement) during the period under review was 7.60% against a budget of 10.00%. This was 2.4 units below the budget. Rendement of 8.84 was realized in the same period last year. sugar produced was 20,855 tons, a 37.92% achievement against the budgeted production of 55,000 tons. In comparison, 40,580 tons produced in a similar period last year. This decrease was mainly due to cane shortage and low cane quality, consequently low recovery.

During this period, factory performance was adversely affected by:

1. Weak cane handling units –
  - a. The only available Electric Overhead Travelling (EOT) crane during this period had frequent breakdowns on the Closing Drum drive gearbox, aggravating cane handling challenges especially in the first three (3) Quarters.
  - b. Frequent breakdowns/unavailability of cane stackers, affecting cane handling and feeding especially in the first three (3) Quarters.
2. Boiling House Congestions due to handling of low purity materials resulting from staleness, especially during the periods of long cane accumulation.
3. Boiler tube failures/leaks
4. Bagasse conveyor breakdowns

### **Environment and Sustainability reporting**

The Company undertook a number of Corporate Social Responsibility (CSR) obligations during the financial year. These were initiatives aimed at maintaining the already good relationship with the surrounding community.

The Company maintained the road network with the station, nucleus and outgrower areas. A total of 162 kilometres of roads was maintained, whereby 132 kilometres were graded and 30 kilometres were gravelled.

The Company partnered with Equity Foundation to plant 5,000 tree seedlings within the nucleus estate in June 2024. Additionally, the Company donated 1,000 tree seedlings to the Institute of Certified Public Accountants of Kenya (ICPAK) for planting within the community in the month of April 2024.

SonySugar continues to provide affordable housing to the employees of diverse carders. The Company, in addition, maintained both the internal and external housing environments.

On the healthcare front, the Company ensured Sony Medical Centre operated well and provided the services required by the employees and the local community at subsidized rates. The services include Outpatient, Laboratory, Pharmacy, MCH/FP/Vaccination, X-ray and Scans (Ultrasound), Specialized Clinics, Counseling, Preventive medicine, Gymnasium and Ambulance services. The company's fire engine and ambulance remained on standby and responded to emergencies within the company and the community.

In terms of social welfare, SonySugar supported a vibrant St. John Ambulance team comprising employees, which offers free first aid services both to the employees and the community when the need arises. The Company also continues to maintain the borehole we sunk at our Ndege-Oriedo transloading site in Rongo Sub County, which serves over 600 households with safe clean water for domestic use.

The Company also complied with the government policies aimed at achieving inclusivity and spurring local growth such as availing tender opportunities to the youth, women and persons with disabilities with Access to Government Procurement (AGPO) certification. On cohesion, inclusivity and diversity, the company upheld the Access and Opportunities Act and ensured the workforce consisted of people from all cultures, religions, ethnicities and irrespective of age, gender, marital status, sexual orientation or physical or mental disability.

On talent and career building, the Company offered opportunities to young professionals with various professional backgrounds in the Public Service Commission Internship programme. The Company also offered chances to volunteers as periodic staff to exercise their academic knowledge gained and acquire more practical experience. Furthermore, the Company offered industrial attachment opportunities to over 1,500 students from various institutions within the financial year.

In education, the Company continued to support the SonySugar Nursery and SonySugar Complex schools which offer quality and subsidized education to the children of employees and the local community by maintaining the institution's physical environment, ensuring proper infrastructure, security and meeting the welfare requirements of teachers and all employees of the two schools.

To sustain disaster mitigation, the Company intervened in fires within its nucleus estates, out-grower zones and other areas within Migori County, using its own firefighting engine.

The Company has continued to support farmers by growing sugarcane in out growers and at the same times owns Nucleus Estate for sugarcane production. The Company's main raw material is sugarcane from out growers and nuclearhe farms, process sugar and have byproducts like molasses and bagasse. These activities if left free without controls, would degrade environment and become inhabitable. In order to

**Environment and Sustainability reporting (Contd)**

maintain/sustain the environment, the Company has put in place several measures to eliminate or minimize the exploitation / pollution of the environment

The Company is certified in ISO 9001 (QMS) and 14001 (EMS) and is compliant to EMCA ACT 2015 and OSHA ACT 2007 requirements. In order to comply with the two acts, the company fire engine and ambulance has been on standby and responded to emergencies within the company and the community.

**Environment and Sustainability report (continued)**

The Company is certified in ISO 9001 (QMS) and 14001 (EMS) and is compliant to EMCA ACT 2015 and OSHA ACT 2007 requirements. In order to comply with the two acts, the company fire engine and ambulance has been on standby and responded to emergencies within the company and the community.

The Company maintains its ground, carryout landscaping, sanitation, and manages its waste (both liquid and solid). The Company has a tree nursery where tree seedlings are developed and nurtured for purposes of afforestation and re afforestation within the Company and its environs.

In short, the Company has different departments that are responsible for quality inspection, control and assurance of systems, processes, products and services. Management systems are in place to ensure all process are controlled within allowable limits and compliance to regulatory institutions are observed with utmost care.

## DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of South Nyanza Sugar Company Limited (the 'Company') for the year ended 30 June 2024.

## PRINCIPAL ACTIVITIES

The principal activity of the company is to grow sugar cane, manufacture and sell sugar with molasses as a by-product.

## BUSINESS REVIEW

A review of the business of the company is incorporated within the report of the Managing Director on pages xi– xiv.

## Production and sales

The following are the comparative statistics of cane deliveries and sugar production for the year ended 30 June 2024.

	2024	2023
<b>Cane milled (tons)</b>		
Nucleus estate	79,963	100,238
Outgrowers	194,696	357,378
	<hr/>	<hr/>
<b>Total</b>	274,639	457,616
	<hr/>	<hr/>
<b>Sugar Produced (tons)</b>	20,855	40,580
	<hr/>	<hr/>
<b>Rendement</b>	7.60%	8.84%
	<hr/>	<hr/>

## DIVIDEND

The net loss for the year of Kshs 635,102,000 (2023: net loss of Kshs 467,043,000) has been added to accumulated losses. The decision on dividend will be made at AGM.

## DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 2 of this report.

## DISCLOSURE OF INFORMATION TO AUDITORS

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

- a) there was, as far as each manager is aware, no relevant audit information of which the company's auditor is unaware; and
- b) each manager had taken all steps that ought to have been taken as a manager so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Directors' report (continued)**

**AUDITORS**

The Auditor General is responsible for the Statutory Audit of South Nyanza Sugar Company Limited in accordance with Article 229 of the constitution of Kenya and section 48 of the Public Audit Act 2018 for the year ended 30 June 2024.

**EMPLOYEES**

We are pleased once again to record their appreciation for the untiring effort of all employees of the company.



29<sup>th</sup> November 2024

**Maurice Omondi**  
**Company Secretary(Ag).**

## STATEMENTS OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements which give a true and fair view of the state of affairs and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the entity for financial year ended June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

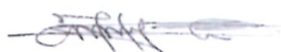
The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act 2015, PFM Act, 2012 and the State Corporations Act section 14. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2024, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Subject to the comments and the conclusions made in Note 2 (a) of these financial statements, the directors believe that the Company will remain a going concern for at least twelve months from the date of this statement.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

### Approval of the financial statements

The financial statements were approved by the Board on 30<sup>th</sup> September 2024 and signed on its behalf by:



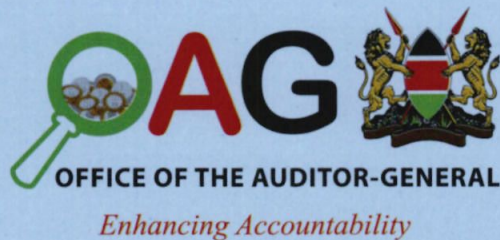
Hon. Jared O. K'Opiyo  
Chairman, Board of Directors



Martin Dima  
Managing Director

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## **REPORT OF THE AUDITOR-GENERAL ON SOUTH NYANZA SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024**

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### **PREAMBLE**

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

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

A 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 South Nyanza Sugar Company Limited set out on pages 1 to 55, which comprise 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 South Nyanza 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**

#### **1.0. Cash and Cash Equivalents**

The statement of financial position, and as disclosed in Note 20 to the financial statements, reflects cash and cash equivalents balance of Kshs.13,092,000. The supporting bank reconciliation statements as at 30 June, 2024 included payments in the cash books not in the bank statements (unpresented cheques) amounting to Kshs.3,164,510. However, certified bank statements showing when the unpresented cheques were cleared were not provided for audit.

In the circumstances, the accuracy and fair presentation of the Kshs.13,092,000 cash and bank balances could not be confirmed.

#### **2.0. Accuracy of Inventories Balance**

The statement of financial position, and as disclosed in Note 17 to the financial statements, reflects inventories balance of Kshs.416,510,000, while the supporting schedules provided for audit indicate a corresponding balance of Kshs.353,041,190, resulting in an unreconciled variance of Kshs.63,468,810.

The balance of Kshs.416,510,000 also differs with a corresponding balance of Kshs.419,780,103 reflected in the stock take report as at 30 June, 2024, resulting in a negative variance of Kshs.3,270,103 which has not been reconciled.

In the circumstances the accuracy and completeness of the inventories amount of Kshs.416,510,000 could not be confirmed.

#### **3.0. Undisclosed Liability Relating to Unpaid Leasehold Rent**

The statement of financial position and as disclosed in Note 26 to the financial statements reflects a balance of Kshs.3,407,995,000 in respect to trade and other payables. Review of documents provided for audit revealed that the Company was issued with a leasehold

title deed of 99 years under the Land Titles Act (Cap 282) on 1 January, 1998. The terms of the leasehold required the Company to commence payment of annual rent with effect from January, 1998, at the rate of Kshs.3,743,000. However, information provided indicated that the Company has not been paying any rent. Further, the total outstanding rent amount of Kshs.101,061,000 has not been disclosed as a liability in the Company's statement of financial position as at 30 June, 2024, while the annual rent of Kshs.3,743,000 payables on 1 January, 2024 has not been treated as an expenditure for the year under review. Failure to disclose the liability led to understatement of liabilities by Kshs.101,061,000 and understatement of losses by Kshs.3,743,000.

In the circumstances, the accuracy, completeness and fair presentation of the trade and other payables balance of Kshs.3,407,995,000 could not be confirmed.

#### **4.0. Receivables from Out Growers**

The statement of financial position, and as disclosed in Note 19 to the financial statements, reflects a balance of Kshs.142,384,000 in respect to receivables from out growers. The balance was arrived at after netting off provision for impairment losses of Kshs.1,006,992,000 from gross receivables from out growers of Kshs.1,149,376,000, an indication of high default rate.

Documents provided for audit from the Legal Department at the Company indicated that the Company had not instituted legal proceedings against the defaulting out growers. In addition, there were no established mechanisms to ensure that out growers' produce is not diverted to other sugar companies. The Company heavily rely on the goodwill of the out growers. In addition, the current standard agreement does not offer remedy to cushion the Company in the event cane is diverted to other companies or to jaggery.

In the circumstances, the recoverability of the Kshs.142,384,000 owed by out growers remains doubtful.

#### **5.0. Unconfirmed Sugar Sales Amount**

The statement of profit or loss and other comprehensive income reflects gross sales of Kshs.3,082,968,000, while the dispatch report provided for audit indicated total sales of Kshs.2,877,792,000, resulting in an unreconciled variance of Kshs.205,176,000.

Similarly, the gross sales of Kshs.3,082,968,000 differs with a corresponding amount of Kshs.2,807,368,000 reflected in the revenue schedules provided for audit, resulting in a variance of Kshs.275,600,000 which has not been explained or reconciled.

Further, analysis of the sugar sales during the year under review revealed that the Company budgeted for 55,000 tons of sugar but realized only 20,856, representing 38%, which could be an indicator of unrealistic targets being set by Management. In addition, the company produced 20,856 tons of sugar but 20,228 tons were dispatched to customers, resulting in 628 tones that could not be accounted for.

In the circumstances, the accuracy and completeness of the Kshs.3,082,968,000 gross sales could not be confirmed.

## **6.0. Regularity of Outstanding Legal Expenses**

The statement of financial position reflects trade and other payables balance of Kshs.3,407,995,000 which as disclosed in Note 26 to the financial statements, includes other payables and accrued expenses balance of Kshs.2,720,078,000. Included in this latter balance is Kshs.51,606,201 in respect of outstanding legal fees owed to seven (7) firms. However, Management did not provide detailed fee notes for each firm to confirm whether the fee charged are in compliance with prescribed rates. In addition, procurement records related to their sourcing and contract agreements between the individual firms and the Company, detailing the scope of work to be discharged and the respective responsibilities of each party were not provided for audit.

Further, review of documents revealed existence of four hundred and thirty-three (433) cases where the Company had been sued. This could be an indicator of weak alternative dispute resolution mechanisms or the Company had not been adhering to the rule of law. In addition, the audited financial statements for the year ended 30 June, 2023 indicated that the Company had four thousand and eight (4,008) ongoing court cases. However, movement schedule in support of the cases and those that have been concluded to leave a balance of 433 cases has not been provided for audit. Further, all the 433 court cases and matters were being handled by external law firms, despite the Company having a fully-fledged legal department inhouse. Also, it was not possible to establish whether the Company has lost cases as a result of proven fraud, corrupt practices or negligence and what actions Management has taken on the responsible officers so as to avert the recurrence.

In the circumstances, the occurrence and regularity of the legal fees amount of Kshs.51,606,201 incurred during the year under review could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the South Nyanza 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.

### **Emphasis of Matter**

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

Note 4 to the financial statements indicates that the Company incurred a net loss after tax amounting to Kshs.635,102,000 during the year and had accumulated losses of Kshs.4,943,867,000 as at 30 June, 2024. In addition, the Company's current liabilities of Kshs.3,411,799,000 exceeded its current assets of Kshs.913,512,000, resulting in a negative working capital of Kshs.2,498,287,000. These conditions indicate existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. Management has indicated that the Company's future

depended on the timely and annual factory rehabilitation, and focused and dedicated staff.

## **2.0. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis of Kshs.3,689,371,000 and Kshs.2,623,173,000 respectively, resulting to an underfunding of Kshs.1,066,198,000. Similarly, the Company incurred total expenditure of Kshs.3,195,856,000 against an approved budget of Kshs.3,584,704,000 resulting to under expenditure of Kshs.388,848,000.

The under-funding and under expenditure affected the planned activities and may have impacted negatively on the company's operations.

My opinion is not modified in respect of these matters.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, 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 audit report of the previous year, several issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the prior year audit matters and some of the prior year matters have not been disclosed in Progress on Follow-up of Auditor Recommendations section of the financial statements.

### **Other Information**

The Management is responsible for the other information set out on page ii to xxvi which comprise Corporate Information, Board of Directors, Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermine Objectives, Statement of Corporate Governance, Management Discussion and Analysis, Environment and Sustainability Report, Report of the Directors and Statement of Directors' Responsibilities. The other information does not include the financial statements and my audit report thereon.

In connection with my audit of 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.

## 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 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**

#### **1.0. Poor Rendement (Yield) Below Industry Standard**

The statement of profit or loss and other comprehensive income reflects gross sales amount of Kshs.3,082,968,000. However, records provided for audit indicated that the Company milled 285,734 tons of canes during the year under review and produced 20,856 tons of sugar bagged, resulting in a rendement of 7% of the produced sugar, which 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 still below the standards set by the industry.

#### **2.0. Regularity of Imprest Management**

Review of imprest register for the year under review revealed that nine (9) officers had been issued with multiple imprests, contrary to Regulation 92(4) (b) of the Public Finance Management Act, 2012 which states that before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant has no outstanding imprests.

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

#### **3.0. Biological Assets**

The statement of financial position, and as disclosed in Note 16 to the financial statements, reflects biological assets balance of Kshs.302,230,000. Review of biological assets register maintained by the Company and valuation report of biological asset report as at 30 June, 2024 provided for audit revealed biological asset valued at Kshs.1,424,000 which comprised eight (8) calves, (8) bulls and eighteen (18) cows. However physical verification of the biological assets conducted on 24 September, 2024 revealed that out

of the eighteen (18) cows, twelve (12) had been recommended for disposal since the cows had deteriorated in value due to old age and sickness. In addition, most of the cows were in poor state of health as evidenced by skin disease, loss of weight and old age. However, Management did not demonstrate any effort made to sustain the biological assets, including seeking veterinary action to save the animals from imminent death.

In the circumstances, the viability of the biological assets valued at Kshs.302,230,000 remains doubtful.

#### **4.0. Regularity of Human Resource Management Practices**

The following unsatisfactory matters were noted in respect to human resources management:

##### **4.1. Staff Under-Establishment**

Review of human resource records revealed that the company had an approved staff establishment of one thousand five hundred and eighty (1580) staff against five hundred and seventy-two (572) 36% staff members in post, thus resulting in an overall under establishment of one thousand and two (1002) or 64% staff members as at June, 2024. This was contrary to Regulations 1.2 of the Staff Establishment which that provides, in part, that in order to attract and retain competent employees required for efficient and effective service delivery, appointments shall be made with the approval of the Board and shall be within the approved establishment.

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

##### **4.2. Payment of Acting Allowance and Special Duty Allowances to Employees**

Review of the staff records revealed that three hundred and ninety-seven (397) representing 67% of the total staff strength of five hundred and seventy-two (572) were either on acting positions or on special duty allowances being 60% on acting and 7% on special duty. This is disproportionate to the total work force.

Further, review of the staff records revealed that staff members were appointed in acting capacities or appointed to perform special duties for periods of six months. Upon expiry of the six months, they are continuously renewed through recommendations by departmental heads since the positions had not been substantively filled. In addition, review of the staff records revealed instances of staff members being appointed to act in a position that is higher by thirteen grades and officers in the semi/unskilled category (UG 04) being appointed to act in management position (SE 3).

This was contrary to Section 4.6(g) and (h) of Staff Regulations, Terms and Conditions of service issued in 2007 which states that an employee who has successfully and continuously acted in a vacant position for a period of six (6) months and meets the job requirements will be deemed to have been confirmed in that position.

In the circumstances, Management was in breach of the Staff Regulations, Terms and Conditions of Service.

#### **4.3. Non-Compliance with Gender Requirements**

Review of the personnel records revealed that the Company had a total of five hundred and seventy-two (572) staff members out of whom, four hundred and sixty-six (466) or 81% were of male gender, while one hundred and six (106) or 19% belong to the female gender, contrary to Article 27(8) of the Constitution of Kenya, 2010 which states that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

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

#### **4.4. Non-Compliance with the Requirement to Employ 5% Persons with Disability**

Review of the personnel records revealed that the company had a total of five hundred and seventy-two (572) staff members out of whom, only twenty-three (23) or 4% were persons living with Disability. This was contrary to article 5(2) of The Constitution of Kenya and Section 13 of the Persons with Disabilities Act, 2003 which require all intuitions the country to have 5% of their employees as persons with disabilities.

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

#### **4.5. Non-Compliance with the Law on Ethnic Diversity in Staffing**

Examination of the personnel records provided for audit revealed that as at 30 June, 2024, the Company had a total of five hundred and seventy-two (572) employees in its payroll from various ethnic communities. Out of these, 86% were from one ethnic community, while the remaining 14% of the jobs were shared among the other ethnic communities. This was contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, Article 27(8) of the Constitution of Kenya, 2010.

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

#### **5.0. Lack of an Updated House Rates to the Prevailing Market Rates**

Review of records revealed that the Company's house rents were last reviewed in December, 2001 and were therefore not aligned to the current market rates. This is despite the house allowances having been reviewed several times to reflect the cost of living and the market rates for the rent. Further, review of housing rents payments revealed that police officers who occupy the houses did not pay rents as and when they fell due, and had outstanding balances amounting to Kshs.1,354,000, some dating back to 2020.

In the circumstances, Management of the Company's rental houses was not effective.

## **6.0. Failure to Maintain an Asset Sinking Fund-Property Plant and Equipment**

The statement of financial position reflects Kshs.4,030,481,000 in respect to property plant and equipment which was arrived at after netting off accumulated depreciation of Kshs.4,731,227,000 from the total cost of Kshs.8,762,895,000. However, Management did not maintain an asset renewal sinking fund as required by Section 16(1) of the State Corporation Act (Cap 446). As a result, the Company may eventually lack funds for renewing its assets once they are fully depreciated.

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

## **7.0. Unremitted Statutory Deductions**

The statement of financial position and as disclosed in Note 26 to the financial statements reflects Kshs.3,407,995,000 in respect to trade and other payables. Review of creditor's ledgers provided for audit revealed long outstanding statutory deductions amounting to Kshs.483,471,380 that were due but not remitted to the statutory agencies. However, Management, did not provide a breakdown of penalties accrued due to non-remittance of the statutory deductions. This was contrary to Regulation 42(1)(b) of the Public Finance Management (National Government) Regulations, 2015, which requires debt service payments to form first charge, and Treasury Circular No.10-2020 of 16 June 2020; Ref DGIPE/A/1/80 on prioritization of pending bills by state corporations and semi-autonomous government agencies, which requires state corporations with pending bills to rationalize their budgets to ensure eligible pending bills are included in their budgets before the same is approved by the National Treasury.

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

## **8.0. Non-Remittance of Retirement Benefits Obligation**

The statement of financial position, and as disclosed in Note 29 to the financial statements, reflects retirement benefits obligation balance of Kshs.271,027,000. Review of documents provided for audit revealed that the Company, the Board of Trustees of Sony Sugar Retirement Benefit Scheme and the Retirement Benefits Authority entered into a tripartite payment plan agreement on 12 November, 2021. The outcome of the agreement was that the accumulated arrears plus interest at the time amounting to Kshs.292,952,112, would be paid at the rate of Kshs.4,068,779 per month, under a six (6) year plan, till completion, all outstanding contributions on account of leavers of Kshs.84,400,000 would be remitted within twenty-four (24) months to enable the scheme pay off the outstanding benefits to the ex-members by December, 2023 and current contributions would be remitted going forward. However, Management did not adhere to the terms of the tripartite payment plan agreement and had accrued an outstanding balance of Kshs.271,027,000 exclusive of interest accrued and penalties. Management had not made any effort to clear the outstanding amount which continues to attract penalties and interest.

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 and based on the audit procedures performed, except for 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**

#### **1.0. Understaffing of Internal Audit Department**

Review of the Internal Audit Unit's staff establishment revealed that, the Unit had only six (6) employees out of the recommended staff establishment of thirteen (13), resulting to an understaffing of seven (7) staff (or 46%) of the approved establishment.

In the circumstances, the effectiveness of the Internal Audit Department in providing independent assurance may have been impeded.

#### **2.0. Non-Implementation of Internal Audit Reports**

During the year ended 30 June, 2024, the Internal Audit Unit carried out and issued thirteen (13) reports which were tabled to the Board of Risk and Audit Committee (BAC) for deliberations and resolutions. Review of the reports revealed instances of weak internal controls or deliberate violation of the internal controls or lack of Management's commitment to implement internal audit recommendations as noted below:-

##### **2.1. Construction of Domestic Effluent Pond and Additional Scope**

Review of documents revealed that the contract for design and construction of lagoon and additional works of rehabilitation of BQ sewer line and diversion of DEF line from Kenya Electricity Transmission Company (KETRACO) plot that was awarded to a Company was terminated due to delayed completion and slow progress on the execution of the rehabilitation works. The works were terminated when the contractor had been paid Kshs.13,750,524 (90%) of the total contract sum of Kshs.15,278,360.

## **2.2. Contract for the Rehabilitation of Industrial Effluent**

The contract for rehabilitation of Arende Pond was awarded to a local company and was terminated due to delayed completion and slow progress on the execution of the rehabilitation works. As at the time of termination, the contractor had been paid Kshs.2,997,166 or 60% of the contract sum of Kshs.4,995,277.

## **2.3. Lack of an E-Tendering Process Resulting to Receipt of Quotations Online through Individual Email Accounts**

The Internal Audit department reported on instances where the Company would send and receive quotations through individual staff email account as part of the e-tendering system which is contrary to the Public Service Commission Circular Number SH/ADM/23(1) dated 14 June, 2022 on use of personal email addresses for official Government business.

In the circumstances, Management failure to implement internal audit reports recommendations has contributed to the persistent weaknesses of internal controls.

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. The information given in the Directors' report on pages xxiv to xxv is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 44 has been properly prepared in accordance with the Companies Act, 2015.

## **Responsibilities of the Management and Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Company's, ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

27 December, 2024

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Statement of profit or loss and other comprehensive income for the year ended 30 June 2024**

	Notes	Year ended 30 June	
		2024	2023
		Kes'000	Kes'000
<b>Gross sales</b>		3,082,968	5,130,131
Indirect taxes:			
- Value Added Tax (VAT)		(425,237)	(707,605))
<b>Revenue</b>	6	2,657,731	4,422,526
Loss/gains arising from changes in fair value less costs to sell of biological assets	16	0	222
		2,657,731	4,422,748
Cost of sales	7	(2,435,503)	(3,493,517)
<b>Gross loss/profit</b>		222,228	929,231
Other income	8	14,185	6,069
Distribution costs	9	(16,819)	(15,786)
Administrative expenses	10	(797,207)	(1,304,314)
<b>Operating loss</b>		(577,613)	(384,800)
Finance costs	11	(122,223)	(130,185)
<b>Loss before income tax</b>		(699,836)	(514,985)
Income tax credit	13	(3,718)	(862)
<b>Loss for the year</b>		(703,554)	(515,847)
<b>Other comprehensive income</b>			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Re-measurement of post-employment benefits obligation	29	97,788	60,317
Deferred income tax thereon	25	(29,336)	(11,513)
		68,452	48,804
<b>Total comprehensive loss for the year</b>		(635,102)	(467,043)

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Statement of financial position as at 30 June 2024**

	Notes	30 June 2024 Shs'000	30 June 2023 Shs'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	4,030,481	4,177,614
Intangible assets	15	2,795	2,795
		4,033,276	4,180,409
<b>Current assets</b>			
Biological assets	16	302,230	288,537
Inventories	17	416,510	400,720
Trade and other receivables	18	39,296	18,983
Receivables from out growers	19	142,384	43,074
Cash and bank balances	20	13,092	66,343
		913,512	817,657
<b>TOTAL ASSETS</b>		4,946,788	4,998,066
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners</b>			
Share capital	21	353,970	353,970
Revaluation reserve	22	3,413,405	3,413,405
Other reserve	23	140,203	71,751
Accumulated losses		(4,943,867)	(8,661,597)
<b>Total equity</b>		(1,036,289)	(4,822,471)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Grants	24	1,597,497	898,581
Borrowings	27	645,752	668,648
Deferred income tax	25	57,002	27,666
Retirement benefits obligation	29	271,027	331,105
		2,571,278	1,926,000
<b>Current liabilities</b>			
Trade and other payables	26	3,407,995	6,490,930
Borrowings	27	86	1,395,326
Current income tax	13	3,718	8,281
		3,411,799	7,894,537
<b>TOTAL EQUITY AND LIABILITIES</b>		4,946,788	4,998,066

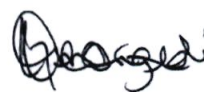
The financial statements on pages 1 to 55 were approved for issue by the Board of Directors on 27<sup>th</sup> September, 2024 and signed by:



**Hon. Jared O. K'Opiyo**  
**Chairman, Board of Directors**



**Martine Dima**  
**Managing Director**



**George Onyango**  
**Head of Finance (Ag)**  
**ICPAK No. 11886**

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Statement of changes in equity for the year ended 30 June 2024**

	Notes	Share capital Shs'000	Revaluation reserves Shs'000	Other reserve Shs'000	Accumulated losses Shs'000	Total equity Shs'000
<b>Year ended 30 June 2023</b>						
At the start of year		353,970	3,413,405	22,947	(8,145,750)	(4,355,428)
Loss for the year		-	-	-	(515,847)	(515,847)
Other comprehensive income		-	-	48,804	-	48,804
Total comprehensive loss		-	-	48,804	(515,847)	(467,043)
At end of year		353,970	3,413,405	71,751	(8,661,597)	(4,822,471)
<b>Year ended 30 June 2024</b>						
At the start of year		353,970	3,413,405	71,751	(8,661,597)	(4,822,471)
As Restated		353,970	3,413,405	71,751	(4,240,313)	(401,187)
Loss for the year		-	-	-	(703,554)	(703,554)
Other comprehensive income		-	-	68,452	-	68,452
Total comprehensive loss		-	-	140,203	(703,554)	(635,102)
At end of year		353,970	3,413,405	140,203	(4,943,867)	(1,036,289)

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Statement of cash flows for the year ended 30 June 2024**

	Notes	2024 Shs'000	2023 Shs'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	(545,603)	79,621
Interest received	8	12,395	2,125
Interest paid and other finance charges	11	(122,223)	(130,185)
Taxes Paid		(135)	
Net cash generated from/ (used in) operating activities.		(655,566)	(48,438)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	39,669	33,022
Purchase of intangible assets	15	-	-
Proceeds from sale of fixed assets		-	-
Net cash used in investing activities		39,669	33,022
<b>Cash flows from financing activities</b>			
Grant received		698,916	124,124
Repayment of borrowings	27	(136,270)	(195,716)
Net cash (used in)/generated from financing activities		562,646	(71,592)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		(53,251)	(87,008)
At start of year		66,343	153,351
<b>At end of year</b>	20	13,092	66,343

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**SOUTH NYANZA SUGAR COMPANY LIMITED**  
**END OF PERIOD REPORTING**  
**STATEMENT OF COMPARISON ACTUAL vs BUDGET**  
**30 JUNE 2024**

YEAR TO DATE				% of utilization	Explanation of
FINANCIAL DATA	ACTUAL	BUDGET	Performance difference 2022-2023	2022-2023	Material Variances
REVENUE	Kshs'000	Kshs'000	Kshs'000		
Sales Revenue	2,657,731	4,833,527	(2,175,796)	55%	Low level of operation due to cane shortage
Other Revenue	14,185	1,154,733	1,140,549	1%	
Stock Movement	(48,742)	(2,298,889)	2,250,147	2%	
<b>Total Revenue</b>	<b>2,623,173</b>	<b>3,689,371</b>	<b>(1,066,198)</b>	<b>71%</b>	
<b>DIRECT COSTS</b>					
Cost of Cane	1,211,672	1,825,961	614,290	66%	Less cane purchases
Plant & Fleet Depreciation	135,182	146,692	11,510	92%	Change in depreciation policy
Packaging & Process Chemicals	60,670	1,825,961	165,273	27%	Low level of operation realized during the year
Marketing Costs	16,819	146,692	6,111	73%	Lower media presence
Spares & Consumables	287,001	225,943	186,932	287%	Weekly plant maintenance and high inflation
Plant & Machinery Repairs & Maintenance	19,440	22,929	9,072	66%	Lower cashflow position
<b>Total Direct Costs</b>	<b>1,730,782</b>	<b>100,069</b>	<b>619,323</b>	<b>74%</b>	

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

<b>IN-DIRECT COSTS</b>					
Staff Costs	975,593	1,690,801	715,207	58%	Annual salary increment for the year not yet implemented
Board and Directors Costs	19,036	30,000	10,964	63%	Lower cashflow position
Staff Acquisition & Development Costs	3,724	34,227	30,503	11%	Lower cashflow position
Rates, Levies & Insurance	307,180	278,730	(28,450)	110%	Lower cashflow position
Utilities	95,702	90,551	(5,150)	106%	Lower cashflow position
Travels & Accomodation	9,155	99,099	89,943	9%	Lower cashflow position
Audits & Consultancies	3,774	65,100	61,326	6%	Lower cashflow position
Other Admin Costs net of Recoveries	50,909	(1,053,909)	(1,104,818)	(5%)	
<b>Total In-Direct Costs</b>	<b>1,465,073</b>	<b>1,234,598</b>	<b>230,475</b>	<b>119%</b>	
<b>Total Operating Costs</b>	<b>3,195,856</b>	<b>3,584,704</b>	<b>388,848</b>	<b>89%</b>	
<b>Operating Profit/(Loss)</b>	<b>(572,682)</b>	<b>104,667</b>	<b>1,455,046</b>	<b>(947)%</b>	
Financing Overheads	8,774	17,138	8,364	51%	
Finance Costs	122,097	51,414	(70,684)	237%	Lower cashflow position
<b>Total Finance Costs</b>	<b>130,872</b>	<b>68,552</b>	<b>(62,320)</b>	<b>191%</b>	
<b>Pre Tax Profit</b>	<b>(703,554)</b>	<b>36,116</b>	<b>(728,835)</b>	<b>-1948%</b>	
Corporation Tax Expense	-	(10,835)	(10,835)	0%	
<b>Profit After Tax</b>	<b>(703,554)</b>	<b>25,281</b>	<b>(728,835)</b>	<b>(2783%)</b>	

**General information**

**Note**

South Nyanza Sugar Company Limited is incorporated in Kenya under the Companies Act as a public limited liability Company, and is domiciled in Kenya. The address of its registered office is:

PO Box 107 - 40405  
Sare-Awendo

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

**2 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**(a) Statement of compliance**

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. The financial statements are presented in Kenyan Shillings (Kes), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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

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

Amendments to IAS 12 Income Taxes clarify the following aspects:

- |  |  |
|--|--|
| Recognition of Deferred Tax Assets for Unrealised Losses | <ul style="list-style-type: none"><li>• 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.</li><li>• The carrying amount of an asset does not limit the estimation of probable future taxable profits.</li><li>• Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</li><li>• 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.</li></ul> |
|--|--|

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.

**Notes (continued)**

**2 Accounting policies (continued)**

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

**(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2023 (Continued)**

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

The amendments to IFRS 5 add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

The amendments to IFRS 7 add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. It clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendments to IAS 19 clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendment to IAS 34 clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the company financial statements.

Amendments to IAS 7 Disclosure Initiative The amendments to IAS 7 Presentation of Financial Statements address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
  - clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements;
  - clarification that an entity's share of Other Comprehensive Income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and
  - additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.
- The amendments to the standard has had no impact on the financial statements.

**Notes (continued)**

**2 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 applied 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 2022, 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 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:

- a) impairment requirements for financial assets; and
- b) 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.

**Notes (continued)**

**2 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 applied for the year ended 30 June 2024**

**IFRS 9 Financial Instruments ("IFRS 9") (Continued)**

- 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.

Based on an analysis of the Company's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, the Management 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 Management 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 2021.

Notes (continued)

2 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 applied 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.

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 Management do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance.

**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.

**Notes (continued)**

**2 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 applied for the year ended 30 June 2024(Continued)**

**IFRS 16 Leases (Continued)**

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

**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. **Notes (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 applied for the year ended 30 June 2024 (Continued)**

**IFRS 17 Insurance Contracts (Continued)**

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

**2 Accounting policies (continued)**

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.
- (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 applied 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).

**2 Accounting policies (continued)**

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.

**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.

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

**(ii) New and revised IFRSs in issue but not applied 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.

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**(b) Functional currency and translation of foreign currencies**

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Kenyan Shillings (Shs)', which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses'.

**(c) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT, returns, rebates and discounts and after eliminating sales within the Company.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognized as follows:

Sales of goods are recognized in the period in which the Company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been accepted by the customer.

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with the market practice. The Company does not operate any loyalty programmes.

Interest income is recognized using the effective interest method.

**(d) Property, plant and equipment**

Property, plant and equipment are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

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Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit and loss) and depreciation based on the asset's original cost is transferred from 'other reserves' to retained earnings.

Depreciation is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives, as follows:

Buildings	25 - 40 years
Plant and machinery	10 - 60 years
Equipment and motor vehicles	3 - 8 years
Bearer plants	6 years

**Notes (continued)**

**2 Accounting policies (continued)**

**(d) Property, plant and equipment (Continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2 (e)). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in other reserves relating to that asset are transferred to retained earnings.

**(e) Biological assets**

Biological assets comprise of agricultural produce on sugar cane.

The roots of the sugar cane are bearer plants and are therefore presented and accounted for as property, plant and equipment, see note 2(d). However, the produce growing on the cane is accounted for as biological assets until the point of harvest. Harvested cane is transferred to inventory at fair value less costs to sell when harvested. The company has applied the amendments made to the accounting standards in relation to the accounting for bearer plants from 1 July 2016, refer to Note 16 for further information.

Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised in the statement of comprehensive income in the year in which they arise.

The fair value of the bearer produce is based on the fair value less costs to sale.

Subsequently all costs of upkeep and maintenance of mature biological assets are recognised in the income statement within 'cost of sales' in the period in which they are incurred.

**(f) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are valued at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**(g) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct Labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

**Notes (continued)**

**2 Accounting policies (continued)**

**(h) Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. As consistently applied, provision is made for receivables in excess of 120 days.

**(i) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(j) Share capital**

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

**(k) Cash and cash equivalents**

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

**(l) Employee benefits**

**(i) Retirement benefit obligations**

The Company operates defined contribution retirement benefit scheme for its non-unionized employees while unionized employees qualify for gratuity upon retirement. The Company and all its employees also contribute to the appropriate National Social Security Fund, which are defined contribution schemes. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. 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.

For defined contribution plans, the Company pays contributions to publicly or privately administered plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

The liability recognized in the statement of financial position in respect of defined benefit gratuity obligation is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

**Notes (continued)**

**2 Accounting policies (Continued)**

**(l) Employee benefits (Continued)**

**(i) Retirement benefit obligations (Continued)**

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income.

The company does not currently have a separate assets to finance the gratuity obligation

**(ii) Other entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders. The Company recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation.

**(m) Current and deferred income tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

Current and deferred income tax for the year ended 30.06.2024 has been calculated at arm's length and incorporated in the financial statements.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either

**Notes (continued)**

the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2 Accounting policies (Continued)**

**(n) Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**(o) Provisions**

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**(p) Grants**

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Where a grant is related to an asset, the grant is presented in the statement of financial position and is credited in the statement of comprehensive income over the periods and in the proportions in which depreciation expense on those assets they are used to finance is recognized.

**(q) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**Notes (continued)**

**3 Critical accounting estimates and judgments**

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

**(a) Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(i) Biological assets**

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 15.

**(ii) Recoverability of receivable from Outgrowers**

Outgrower balances relate to the amounts due from farmers that arise from the Company's provision of agricultural inputs and services and the related accrued interest. Significant judgment has been applied by management in estimating the amounts that may not be recoverable based on investment expenditure in inputs and services to Outgrowers over the years taking into account the expected recovery cycle for the amounts.

Provision is determined based on the sugar development recovery cycle such that any balances beyond that cycle are fully provided. Sugar development recovery cycle is approximately 24 months.

The policy of the company is that impairment provision is determined for amounts in excess of the previous 24 months actual spent on sugar development, this has been applied consistently in preparation of the financial statements.

**(iii) Income taxes**

Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**(b) Critical judgments in applying the entity's accounting policies**

In the process of applying the Company's accounting policies, management has made judgments in determining:

- The classification of financial assets and leases
- Whether financial and non-financial assets are impaired.

**4 Going Concern**

The Company made a loss after tax of Shs 635,102,000 (2023: Shs 467,043,000) during the year which was added to accumulated losses totaling Shs 4,943,867,000 (2023 Shs 8,661,597,000). In addition, the Company was in a net current liability position of Shs 2,498,287,000 (2023: Shs 7,076,880,000). The amounts that had become due for repayment on the Commodities fund (SDF) Loan as at year-end were settled. Management has put in place the following to address the situation:

The major factory rehabilitation carried out between July/ August 2021 and November/December 2022 have placed the recovery ratio to industry standard of 10%. The future of the company depends on the timely and annual factory rehabilitation and in addition to focus and dedicated staff. A comprehensive strategic plan is also in place aimed at achieving targeted goals in the following year.

Based on the above, the management believe that the company will continue in operational existence for at least 12 months from the date of these financial statements. It is therefore appropriate to prepare the Company's financial statements on a going concern basis, which assumes that the Company will continue to meet its obligations as they fall due for the foreseeable future.

**5 Financial risk management**

The Company's activities expose it to a variety of financial risks, market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market risk

**(i) Foreign exchange risk**

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

At 30 June 2024, if the Kenyan Shilling had weakened/strengthened by 6% against the US dollar with all other variables held constant, post-tax profit for the year would have been Shs 15,264 (2023: Shs 14,400) higher/lower.

**(ii) Price risk**

The Company does not hold any financial instruments subject to price risk.

**(iii) Cash flow and fair value interest rate risk**

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. To manage interest rate risk the Company ensures that a portion of its borrowings are fixed rate borrowings. The Company regularly monitors financing options available to ensure optimum interest rates are obtained.

At 30 June 2024 and 30 June 2023, the Company did not have any borrowings at variable rates.

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**5 Financial risk management (continued)**

**(iv) Credit risk**

Credit risk is managed on a Company basis. Credit risk arises from deposits with banks and trade and other receivables. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk is managed by the Head of Finance, except for credit risk relating to accounts receivable balances. Sales Committee is responsible for managing and analyzing credit risk for each new client before standard payment and delivery terms are offered. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. The Company has no significant concentrations of credit risk.

For banks and financial institutions, only reputable well established financial institutions, are accepted. For trade receivables, the Company's finance department assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on limits set by the Board. The utilization of credit limits is regularly monitored.

The amount that best represents the Company's maximum exposure to credit risk at 30 June 2024 is made up as follows:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Cash at bank (Note 20)	13,092	66,343
Trade receivables (Note 18)	3,461	7,708
Receivable from out-growers (Note 19)	142,384	43,074
Other receivables	35,836	11,275
	194,773	128,400

No collateral is held in respect of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated, and management does not expect any losses from non-performance by these parties.

None of the above assets are either past due or impaired except for the following amounts in trade and outgrower receivables (which are due within 30 days of the end of the month in which they are invoiced).

The trade receivables which were past due but not impaired relate to a number of independent customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Past due but not impaired:		
- by up to 30 days	821	3,300
- by 31 to 60 days	2,254	1,464
	3,075	4,764
Total past due but not impaired	3,075	4,764

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**5 Financial risk management (continued)**

**(iv) Credit risk (Continued)**

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Total receivables:		
Carrying amount before provision for impairment loss	1,432,148	1,311,370
Provision for impairment loss	(1,250,468)	(1,249,312)
	181,680	62,057
Net carrying amount	181,680	62,057

The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations and doubtful outgrower balances. It was assessed that all trade receivables past due by more than 60 days are considered to be impaired, and are carried at their estimated recoverable value.

**(v) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management and the Board maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

Surplus cash held by the Company, over and above the amounts required for working capital management are invested in interest bearing fixed deposit accounts.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows:

	<b>Less than 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
	<b>Shs'000</b>		
<b>At 30 June 2024:</b>			
<b>Liabilities</b>			
- borrowings	86	645,752	645,838
- trade and other payables	3,416,275	-	3,416,275
	3,416,361	645,752	4,062,113
Total financial liabilities (contractual maturity dates)	3,416,361	645,752	4,062,113
<b>At 30 June 2023:</b>			
<b>Liabilities</b>			
- borrowings	1,395,326	668,648	2,063,974
- trade and other payables	6,499,211	-	6,499,211
	7,894,537	668,648	8,563,185
Total financial liabilities (contractual maturity dates)	7,894,537	668,648	8,563,185

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**5 Financial risk management (continued)**

**(vi) Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Total borrowings	645,838	2,063,973
Less: cash and cash equivalents	(13,092)	(66,343)
<b>Net debt</b>	<b>632,746</b>	<b>1,997,630</b>
<b>Total equity</b>	<b>(1,036,289)</b>	<b>(4,828,191)</b>
<b>Total capital</b>	<b>(403,543)</b>	<b>(2,830,561)</b>
<b>Gearing ratio</b>	<b>-157%</b>	<b>-71%</b>
<b>6 Revenue</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Analysis of revenue by category:		
Sugar Sales	2,451,381	4,176,335
Molasses Sales	206,350	246,191
	<b>2,657,731</b>	<b>4,422,526</b>
<b>7 Cost of Sales</b>		
Cost of cane	1,211,672	1,817,005
Agriculture: Overheads	442,261	507,328
Agriculture: Depreciation	67,227	94,036
Manufacturing: Costs	695,131	994,788
Manufacturing: Depreciation	19,212	80,360
	<b>2,435,503</b>	<b>3,493,517</b>

During the year the Company acquired cane from outgrowers scheme at an average price of Kes. 5,559 against a budget of Kes. 4,310. This was as a result of market forces occasioned by low cane volumes in the region.

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

<b>Notes (continued)</b>		
<b>8</b>	<b>Other income</b>	
	Interest on receivables from Outgrowers	12,395
	Gain on disposal of fixed assets	-
	Miscellaneous income	1,790
		14,185
		6,069
<b>9</b>	<b>Distribution expenses</b>	
	Marketing and advertising	-
	Product distribution	16,819
		16,819
		15,786
<b>10</b>	<b>Administrative expenses</b>	<b>2024</b>
		<b>Shs'000</b>
		<b>2023</b>
		<b>Shs'000</b>
	Staff costs(Administrative departments)	368,845
	Provisions	9,932
	Rates, Levies and insurance	299,489
	Depreciation(Administrative)	55,525
	Travel and accommodation	7,182
	Repairs & Maintenance	16,995
	Mobile Equipment usage expenses	6,419
	Board & Directors costs	19,036
	Spares & Consumables	32,281
	Audit & Consultancies	3,774
	Staff Acquisition & Development costs	3,724
	Utilities	4,015
	Other administrative costs (Net of recoveries)	(30,010)
		797,207
		1,304,314
	The company offers services such as land development, farm inputs harvesting transport to farmers. These costs are subsequently recovered from the farmers at the point of payment.	
<b>11</b>	<b>Finance costs</b>	<b>2024</b>
		<b>2023</b>
		<b>121,369</b>
	Interest expense-CF(SDF) and GoK loans	127,792
	Bank charges	729
	Financing overheads	125
		122,223
		130,185

**NOTE:**

The interest expense for the year 2024 relates to Cooperative bank loan only. The GOK and Commodities Fund Loans were written off as at 30.06.2023.

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

<b>Notes (continued)</b>		
<b>12</b>	<b>Employee benefits expense</b>	
	Salaries and wages	925,737      1,021,488
	Retirement benefits costs:	
	- Defined contribution scheme	39,006      73,125
	- National Social Security Funds	10,851      3,901
		975,594      1,098,513
<b>13</b>	<b>Income tax credit</b>	
	Deferred income tax (Note 25)	59,786      (6,582)
	Corporation tax on other income	3,718      862
		63,504      (5,721)
<b>13</b>	<b>Income tax expense (continued)</b>	
	The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
	<b>Loss before income tax</b>	(699,836)      (514,985)
	Tax calculated at the statutory income tax rate of 30%	(209,951)      (154,495)
	Tax effect of:	
	Items not deductible for tax purposes	969,573      99,654
	Under provision of deferred income tax in prior year	-      -
	Deferred income tax asset not recognised	-      -
		59,786      (54,841)
	Income tax expense/income	59,786      (54,841)
	Deferred income tax asset derecognition is made on the basis that it's not reasonably expected that the company would make profit in the foreseeable future to clear the accumulated losses.	
	Movement on deferred income tax on other income is as follows:	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
	Opening income tax on other come	(8,281)      (7,419)
	Adjustment for write off	8,281
	Income tax liability/asset (movement) for the year	(3,718)      (862)
		(3,718)      (8,281)
	Income tax liability/asset	(3,718)      (8,281)

South Nyanza Sugar Company Limited  
Financial Statements for the Year ended 30 June 2024

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**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**14 Property, plant and equipment (continued)**

	Leasehold Land Shs'000	Building Shs'000	Plant and machinery Shs'000	Trailers, tractors and motor vehicles Shs'000	Office and other equipment Shs'000	Roads and fencing Shs'000	Work in progress Shs'000	Bearer plants Shs'000	Total Shs'000
<b>Year ended 30 June 2023</b>									
Opening net book amount	912,576	554,825	2,092,918	259,958	8,541	89,032	318,497	120,750	4,357,097
Additions	-	-	-	11,207	1,416	-	20,399	-	33,022
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	(2,220)	(31,152)	-	-	-	-	(33,372)
Depreciation charge	(9,606)	(26,413)	(67,955)	(82,024)	(5,962)	(4,240)	-	(16,360)	(212,560)
Depreciation adjust	-	-	2,275	31,152	-	-	-	-	33,427
Closing net book amount	902,970	528,412	2,025,018	189,141	3,995	84,792	338,896	104,390	4,177,614
<b>At 30 June 2023</b>									
Cost or valuation	1,000,502	891,746	4,393,322	1,406,712	306,134	137,402	338,896	243,822	8,718,536
Accumulated depreciation	(97,532)	(363,334)	(2,368,304)	(1,217,572)	(302,138)	(52,610)	-	(139,432)	(4,540,922)
Net book amount	902,970	528,412	2,025,018	189,140	3,996	84,792	338,896	104,390	4,177,614

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**14 Property, plant and equipment (continued)**

	Leasehold Land Shs'000	Building Shs'000	Plant and machinery Shs'000	Trailers, tractors and motor vehicles Shs'000	Office and other equipment Shs'000	Roads and fencing Shs'000	Work in progress Shs'000	Bearer plants Shs'000	Total Shs'000
<b>Year ended 30 June 2024</b>									
Opening net book amount	1,000,502	891,746	4,393,322	1,406,712	306,134	137,402	341,691	243,822	8,721,331
Additions	-	-	16,010	12,800	8,849	-	3,905	-	41,564
Disposals	-	-	-	-	-	-	-	-	-
Accumulated depreciation	(97,532)	(363,334)	(2,368,304)	(1,217,572)	(302,138)	(52,610)	-	(139,432)	(4,540,922)
Depreciation charge	(9,606)	(26,413)	(67,955)	(62,987)	(2,744)	(4,240)	-	(16,360)	(190,305)
Depreciation adjust	-	-	-	-	-	-	-	-	-
Closing net book amount	893,364	501,999	1,973,073	138,953	10,101	80,552	345,596	88,030	4,031,668
<b>At 30 June 2024</b>									
Cost or valuation	1,000,502	891,746	4,409,332	1,419,512	314,983	137,402	345,596	243,822	8,762,895
Accumulated depreciation	(107,138)	(389,747)	(2,436,259)	(1,280,559)	(304,882)	(56,850)	-	(155,792)	(4,731,227)
Net book amount	893,364	501,999	1,973,073	138,953	10,101	80,552	345,596	88,030	4,031,668

Work in progress largely relates cost of upgrading the plant and machinery which is an ongoing process.

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**14 Property, plant and equipment (continued)**

The Company's property, plant and equipment were revalued on 30 June 2018, by Milligan Valuers Limited. Valuations were made on the basis of estimated open market value. The revaluation surplus net of applicable deferred taxes was credited to other comprehensive income and is shown in other reserves in shareholder's equity.

If the property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Cost	8,762,895	8,978,648
Accumulated depreciation	(4,731,227)	(4,798,239)
	<b>4,031,668</b>	<b>4,180,409</b>
Net book amount	<b>4,031,668</b>	<b>4,180,409</b>

Bank borrowings are secured on immovable property (Land/Buildings/Part of buildings)

**15 Intangible assets**

	<b>Software</b>	<b>WIP</b>	<b>Totals</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Year ended 30 June 2023</b>			
Opening net book value	125	2,795	2,920
Additions	-	-	-
Amortisation charge	(125)	-	(125)
	-	2,795	2,795
Closing net book amount	-	2,795	2,795
<b>At 30 June 2023</b>			
Cost	257,327	2,795	260,112
Accumulated amortisation	(257,327)	-	(257,317)
	-	2,795	2,795
Net book amount	-	2,795	2,795

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**Financial Statements for the Year ended 30 June 2024**

<b>15 Intangible assets (Continued)</b>	<b>Software</b>	<b>WIP</b>	<b>Totals</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Year ended 30 June 2024</b>			
Cost	257,317	2,795	260,112
Additions	2,009	-	2,009
Accumulated amortization	(257,317)	-	(257,317)
Amortization for the year	(401)	(2,795)	(3,196)
Closing net book amount	1,608	2,795	1,608
<b>At 30 June 2024</b>			
Cost	259,327	2,795	262,122
Accumulated amortisation	(257,719)	(2,795)	(260,514)
Net book amount	1,608	0	1,608

<b>16 Biological assets</b>			
<b>Year ended 30 June 2023</b>			
	<b>Cane</b>	<b>Dairy</b>	<b>Total</b>
At start of year	279,678	1,561	281,239
Additions due to development of cane	181,301	-	181,301
Transfer to bearer plant	-	-	-
Decrease due to harvest	(173,782)	-	(173,782)
Losses arising from changes in fair value less costs to sell of biological assets	-	(222)	(222)
At end of year	287,198	1,339	288,537
<b>Year ended 30 June 2024</b>			
	<b>Cane</b>	<b>Dairy</b>	<b>Total</b>
At start of year	287,198	1,339	288,537
Additions due to development of cane	155,691	-	155,691
Transfer to bearer plant	-	-	-
Decrease due to harvest	(142,083)	-	(142,083)
Losses arising from changes in fair value less costs to sell of biological assets	-	85	85
At end of year	300,806	1,424	302,230

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**16 Biological assets (continued)**

**Valuation of Biological Assets-Cost model**

This represents the actual cost incurred on growing cane in the Nucleus Estate less the cost written off to profit or loss account for the cane harvested. Standing cane has not been insured against fire since insurance companies have declined to provide cover against this type of risk. No provision has been made in the accounts for any possible loss occasioned by cane fire.

**17 Inventories**

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Operating Supplies	56,744	66,371
Spare Parts	232,772	246,597
Packaging Materials	27,310	30,981
Molasses	1,462	149
Raw Material- Cane on Yard	9,995	19,664
Finished Product	59,289	7,795
Semi-Finished Product	26,209	21,745
Goods in Transit	2,729	7,417
	<b>416,510</b>	<b>400,720</b>

**18 Trade and other receivables**

Trade receivables	77,401	81,245
Less: provision for impairment losses	(73,940)	(73,537)
Net trade receivables	3,461	7,708
Other receivables and prepayments	205,371	180,811
Less: provision for impairment losses	(169,536)	(169,536)
Net other receivables and prepayments	35,835	11,275
	<b>39,296</b>	<b>18,984</b>

**18a Trade and Other Receivables**

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At June 30, the ageing analysis of gross trade Receivables was as follows:		
Less than 30 Days	821	6,039
Between 30 and 60 Days	2,254	450
Between 61 and 90 Days	81	63
Between 91 and 120 Days	305	2,234
Over 120 Days	73,940	72,459
	<b>77,401</b>	<b>81,245</b>

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

Included in trade and other receivables is Kshs 18.2 million relating to staff costs in respect of three staff who were seconded to Agriculture food Authority, Muhoroni/Miwani sugar and Chemelil Sugar.

**18 Trade and other receivables (Continued)**

Movements on the provision for impairment of trade and other receivables are as follows:

	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
At start of year	243,073	242,998
Charge to profit or loss	73,940	75
	<hr/>	<hr/>
At end of year	317,013	243,073

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable above. The Company does not hold any collateral security against the receivables. The fair value of trade and other receivables approximates their carrying value.

**19 Receivables from outgrowers**

	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
Billable inputs and services	896,585	806,459
Unbilled services	67,778	67,778
Accrued interest on land development	185,013	175,077
	<hr/>	<hr/>
Gross receivables from Outgrowers	1,149,376	1,049,314
Less: provision for impairment losses	(1,006,992)	(1,006,240)
	<hr/>	<hr/>
	142,384	43,074

Movements on the provision for impairment of Outgrowers receivables are as follows:

	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
At start of year	1,006,240	1,057,369
Charge to profit or loss/(write back)	752	(51,129)
	<hr/>	<hr/>
At end of year	1,006,992	1,006,240

The Company recovers the investment in Outgrowers against payments to Outgrowers upon harvesting of the sugarcane.

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**20. Bank and Cash Balances**

Description	2024	2023
	Kshs. '000	Kshs. '000
Cash at bank	13,092	66,343
Cash in hand	0	0
<b>Total</b>	<b>13,092</b>	<b>66,343</b>

The Cash at Hand was nil as at 30th June, 2024. The two Co-op Bank Accounts domiciled in Rongo, A/cs. 01136204628702 and 01136204628703 are specifically dedicated for taxes and Farmers cane payments respectively. Funds are transferred into them as per the Company's weekly expenditure plans. This explains the low balances in the accounts.

The NBK A/c 01001045348702 was opened specifically to receive borrowed funds from Commodities Fund in the year 2017 and pay for the procurement of Factory Maintenance Equipment. The account was under the watch of the Company and Commodities Fund as per the loan covenant, which expired when the loan was paid off. The account has since been maintained to receive and make payments. The Company main bank is Cooperative Bank of Kenya.

**Detailed analysis of the cash and cash equivalents**

Description		2024	2023
Financial institution	Account number	Kshs.'000	Kshs.'000
<b>a) Current Accounts</b>			
Co-operative Bank - Migori	01136204628700	3,548	2,145
Co-operative Bank - Migori	01136204628701	368	9,639
Co-operative Bank - Rongo	01136204628702	16	10,537
Co-operative Bank - Rongo	01136204628703	19	624
KCB - Migori	01106321308	2,523	20,259
NBK - Awendo	01001045348700	5,344	15,063
ABSA Bank - Kisii	801222509	1,223	1,557
NBK - Awendo Project	01001045348702	51	6,519
Sub- Total		13,092	66,343
<b>b) On - Call Deposits</b>			
Other Commercial banks		0	0
Sub- Total		0	0
<b>c) Fixed Deposits Account</b>			
Other Commercial banks		0	0
Sub- Total		0	0

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

Description		2024	2023
Financial institution	Account number	Kshs.'000	Kshs.'000
d) Others (Specify)		0	0
Cash in transit		0	0
Cash in hand		0	0
Mobile money account		0	0
Sub- Total		0	0
Grand Total		13,092	66,343

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

21 Share capital	Number of shares	Ordinary shares Shs'000
Balance at 1 July 2023 and 30 June 2024	17,698,500	353,970

The total authorized number of ordinary shares is 18,000,000 with a par value of Shs 20 per share. The issued and fully paid shares are 17,698,484 with a par value of Shs 20 per share.

**Shareholding composition:**

	2024 Shs'000	2023 Shs'000
Government of Kenya	349,720	349,720
Industrial and Commercial Development Corporation	2,500	2,500
Industrial Development Bank	1,000	1,000
Mehta Group International	750	750
	353,970	353,970

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**22 Revaluation reserve**

The revaluation reserve represents solely the surplus on the revaluation of property equipment net of deferred income tax and is non-distributable.

<b>Year ended 30 June 2023</b>	<b>Shs'000</b>
<b>At start of year</b>	3,413,405
Assets revaluation	-
<b>At end of year</b>	<u>3,413,405</u>
<b>Year ended 30 June 2024</b>	
At start of year	3,413,405
Asset revaluation	-
<b>At end of year</b>	<u>3,413,405</u>

**23 Other reserves**

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of the year	71,751	22,947
Comprehensive income	<u>68,452</u>	<u>48,804</u>
<b>At end of the year</b>	<u>140,203</u>	<u>71,751</u>

As disclosed above, other reserves relate to actuarial gains/losses arising out of the remeasurement of the retirement benefit obligation.

**24 Grants**

The balances represent grants from Commodities Fund for purchase of machinery for road maintenance, construction of bridges and payment of farmers' arrears. Assets are amortized over the life of the machinery. Additions during the year relates to funds paid directly to farmers' accounts by the Government. The movement in the year is as follows:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	898,581	778,326
Additions	698,916	124,124
Amortisation charge	-	(3,869)
<b>At end of year</b>	<u>1,597,497</u>	<u>898,581</u>

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**25 Deferred income tax**

Deferred income tax is calculated using the enacted income tax rate of 30%. The gross movement on the deferred income tax account is as follows:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	27,666	16,153
Credit to income statement (Note 13)	59,786	(6,582)
Debit to other comprehensive income	(30,450)	18,095
(Over)/under provision of deferred income tax in prior year	-	-
Deferred income tax not recognized	-	-
	57,002	27,666

The deferred income tax assets and liabilities, deferred income tax charge/(credit) in the income statements are attributable to the following items:

	<b>1 July 2023</b>	<b>Charged/ (credited) to P/L</b>	<b>(Credited to equity)</b>	<b>30 June 2024</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Deferred income tax liabilities</b>				
Property, plant and equipment:				
- on historical cost basis	527,605	(11,340,259)	-	(10,812,654)
- on revaluation surplus	614,471	-	-	614,471
Biological assets	102,482	(4,107,867)	-	(4,005,385)
	1,244,558	(15,448,126)	-	14,203,568
<b>Deferred income tax assets</b>				
Other temporary differences	(619,659)	37,438,517	-	36,818,858
Post-employment benefit obligation	(138,084)	37,795,134	-	37,657,050
Tax losses	(2,152,974)	(159,228,313)	-	(161,381,287)
	(2,910,717)	(83,994,662)	-	(81,083,945)
Net deferred income tax	(1,666,160)	(99,442,787)	-	(101,108,947)
Deferred income tax not recognised	1,656,296	159,228,313	-	160,884,609
Final deferred income tax	27,666	-	29,336	57,002

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

Year ended 30 June 2023	1 July 2022 Shs'000	Charged to P/L Shs'000	Charged to equity Shs'000	30 June 2023 Shs'000
<b>Deferred income tax liabilities</b>				
Property, plant and equipment:				
- on historical cost basis	528,854	(1,249)	-	527,605
- on revaluation surplus	614,471	-	-	614,471
Biological assets	102,482	-	-	102,482
	<u>1,245,807</u>	<u>(1,249)</u>	<u>-</u>	<u>1,244,558</u>
<b>Deferred income tax assets</b>				
Other temporary differences	(636,094)	16,435	-	(619,659)
Post-employment benefit obligation	(125,057)	(13,027)	-	(138,084)
Tax losses	(2,128,875)	(24,099)	-	(2,152,974)
	<u>(2,890,026)</u>	<u>(20,691)</u>	<u>-</u>	<u>(2,910,717)</u>
Net deferred income tax asset	(1,644,219)	(21,941)	-	(1,666,160)
Deferred income tax asset not recognised	1,656,296	-	-	-
<b>Final deferred income tax</b>	<u>16,153</u>	<u>(6,582)</u>	<u>18,095</u>	<u>27,666</u>

**26 Trade and other payables**

	2024 Shs'000	2023 Shs'000
Trade payables	622,417	390,690
Customer payments in advance	65,500	96,735
Other payables and accrued expenses	2,720,078	6,003,505
	<u>3,407,995</u>	<u>6,490,930</u>

The carrying amounts of the above payables and accrued expenses approximate to their fair value

**26b Trade and other Payables**

	2024 Kshs'000	2023 Kshs'000
At June 30, the ageing analysis of gross trade payables was as follows:		
Less than 30 Days	127,072	22,704
Between 30 and 60 Days	28,245	35,497
Between 61 and 90 Days	13,143	18,859
Between 91 and 120 Days	1,554	27,240
Over 120 Days	452,403	286,390
	<u>622,417</u>	<u>390,690</u>

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

<b>27</b>	<b>Borrowings</b>	<b>2024</b>	<b>2023</b>
		<b>Shs'000</b>	<b>Shs'000</b>
	Commodities fund (SDF) loan	86	503,336
	Government of Kenya (GOK/ODA)	-	891,990
	Co op bank	645,752	668,648
	KCB	-	-
		645,838	2,063,974
<b>i)</b>	<b>Maturity analysis</b>		
	<b>Non-current</b>		
	Co op bank	645,752	668,648
	<b>Current</b>		
	Commodities fund (SDF) loan	86	503,336
	Government of Kenya (GOK/ODA)	-	891,990
		86	1,395,326
	<b>Total GOK/CF loans</b>	645,838	2,063,974
	Bank overdraft	-	-
	<b>Total borrowings</b>	645,838	2,063,974

- Commodities Fund loans of Kshs 503M and GOK/ODA loans totalling Kes. 892M at the beginning of the year were written off by the Government of Kenya to pave way for leasing.
- The Company has a long term performing loan with Co-op bank to the tune of Kshs 646M payable within 60 months on reducing balance basis.

The carrying amount of the borrowings approximates to the fair value, as the impact of discounting is not significant.

<b>Loans movement</b>	<b>G.o.K</b>	<b>CF</b>	<b>Co op</b>	<b>Total</b>
	<b>Shs '000</b>	<b>Shs'000</b>	<b>Kshs</b>	<b>Shs '000</b>
<b>At start of year</b>	<b>891,989</b>	<b>503,338</b>	<b>668,647</b>	<b>2,063,974</b>
Additions	-	-	114,501	114,501
Accrued interest	-	-	-	-
Movement/payment	(891,989)	(503,252)	(137,396)	(1,532,637)
Net movement	-	86	645,752	645,838
<b>At end of year</b>	<b>-</b>	<b>86</b>	<b>645,752</b>	<b>645,838</b>

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

<b>28 Cash generated from operations</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Reconciliation of profit before income tax to cash generated from operations		
Loss before income tax	(699,836)	(514,985)
<b>Adjustments for:</b>		
Interest income (Note 8)	(12,395)	(2,125)
Interest expense(Note 11)	122,223	130,185
Loss/(gain) on disposals of property plant & equipment	-	-
Changes in biological assets(Note 16)	1,424	1,339
Decrease due to harvest	-	-
Depreciation of property, plant and plant (Note 14)	146,490	212,421
Amortisation of intangible assets (note 15)	125	262
Items expensed from WIP (note 15)	-	-
Grant amortization (Note 24)	-	3,870
Post-employment benefit obligation	97,788	60,317
<b>Changes in working capital:</b>		
- Inventories	(15,790)	(8,441)
- Trade and other receivables	(20,313)	13,665
- Outgrowers' balances	(98,557)	(126,722)
- Trade and other payables	(66,762)	309,835
	<hr/>	<hr/>
Cash generated from operations	(545,603)	79,621
	<hr/>	<hr/>

**29 Retirement benefit obligations**

The company operates a gratuity scheme based on employee remuneration and length of service. The plan is internally funded.

The amounts recognized in the statement of financial position are as follows:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Present value of unfunded obligations	271,027	331,105
	<hr/>	<hr/>

The movement in the defined benefit obligation over the year was as follows:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	331,105	366,341
Net periodic cost	61,172	60,747
Movement in the year	(23,462)	(35,666)
Remeasurement	(97,788)	(60,317)
	<hr/>	<hr/>
Liability in the statement of financial position	271,027	331,105
	<hr/>	<hr/>

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**29 Retirement benefit obligations (continued)**

The principal actuarial assumptions used were as follows:

	<b>2024</b>	<b>2023</b>
-discount rate	18.50%	15.00%
-inflation	5.00%	8.00%
-salary increases	9.50%	9.50%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

*Salary increase sensitivity*

	<b>At current salary increase rate Shs'000</b>	<b>1% Increase Shs'000</b>	<b>1% Decrease Shs'000</b>
<b>At 30 June 2023</b>			
Present value of obligation	331,105	327,794	334,416
Percentage changes	-	1.00%	(1.00%)
<b>At 30 June 2024</b>			
Present value of obligation	271,027	259,215	283,811
Percentage changes	-	1.00%	(1.00%)

Assumptions regarding future mortality experience are set based on published statistics and experience in the industry.

Since the bulk of the benefits payable under the scheme are salary related and there are no pensions paid from the scheme, the sensitivity of the liability to a change in the salary escalation assumption is expected to be consistent with the sensitivity to the discount rates

**30 Related party transactions**

**a.) Government of Kenya**

The Company is controlled by the Government of Kenya with 99% ownership. IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Notes (continued)**

**Transactions with related parties:**

**i) Key management compensation**

Key management includes executive Directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Salaries and other short-term employment benefits	<u>33,130</u>	<u>33,432</u>

**ii) Directors' remuneration**

Remuneration as management	221	198
Fees and allowances for services as director	18,815	1,774
	<u>19,036</u>	<u>1,972</u>

**iii) Government of Kenya**

During the year, the Government released Kshs 698.9M. towards farmers payments and paid directly to various farmers. These funds were released through Agriculture Food Authority. The Government is yet to give direction on the treatment of these funds in our books.

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Total bailout by the Government during the year (Grant)	<u>388,857</u>	<u>124,124</u>

**31 Contingent liabilities**

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. The Company also has an open tax items for the last two years in respect to importation of sugar under tax exemption regime where KRA is demanding Kshs 2,905,607,000 in taxes. This matter is still under discussion with the revenue authority.

A number of litigation cases regarding burnt over-mature cane which the Company was unable to harvest have been lodged at law courts.

A summary of the pending cases and claims against the Company is as follows:-

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Farmers' cases	628,169	2,005,455
Staff cases	7,178	-
Tax matters	2,905,607	2,905,607
Staff Leave	<u>40,151</u>	<u>-</u>
	<u>3,581,105</u>	<u>4,911,062</u>

**Notes (continued)**

There is significant reduction on liability arising from farmers due to massive withdrawal of cases by the plaintiffs and plaintiff at their own volition following measures taken by the management to weed out fraudulent suits. Management has made accumulative provision in the financial statements amounting to Kshs. 216 million based on legal advice. The management do not believe that any significant additional liability will arise from the resolution of these matters.

**32 Capital Commitments**

Capital expenditure contracted for at the reporting date but not recognized in the financial statements is as follows:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Authorized but not contracted	562,200	328,300
Authorized and contracted	116,100	88,300
	<hr/>	<hr/>
	578,300	416,600
	<hr/>	<hr/>

**South Nyanza Sugar Company Limited**  
**Financial Statements for the Year ended 30 June 2024**

**Key projects and investment decisions the entity is planning/implementing**

Below are some of the projects and investment decisions the Company is planning/implementing as at 30.06.2024

SR/ N	ITEM DESCRIPTION	QTY	APPROVED BUDGET	REMARKS
1.	C160 Plasma Cutting Machine	1	1,200,000	Project Justified 18.01.2019 PID Approved 27.04.2023 PR 10016793 ASSET- 8000794
2.	Shaft mounted gear boxes c/w drives for B Magma & B Seed Receivers and Vacuum Crystalliser	3	5,000,000	Project Justified 24.01.2019 PID Approved 03.05.2023 PR 10016778 ASSETS-8000802,03,04 PO 17314 issued to Indaf Eng. & Project Consultants (India)
3	Assorted electric motors		4,000,000	PR 10016767 ASSETS- 8000785/86/78/88/89/90/91, 8000807, 8000807, 8000808, 8000809
4	Vacuum pump	1	2,000,000	Project Justified 21.01.2018 PID Approved 26.04.2023 PR 10016792 ASSET-8000795
5	Voice Over Internet Protocol (VOIP) telephone system	1	5,000,000	Project Justified 18.01.2023 PID Approved 22.02.2023 PR 10016481 ASSET-5000979
6	Labour Lorry to enhance Cutters' transport - Replace Nissan UD	1	10,000,000	Project Justified 06.04.2023 PID Approved 27.04.2023 PR 10016765

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				ASSET-1000088
7	Remote Disaster Recovery Centre	1	32,400,000	Project Justified 16.06.2023 PID Approved 16.06.2023 PR 10017017 ASSET-90020089
8	Variable Frequency Drives for Boilers	2	2,550,000	PR 10017086 75kW ASSET- 8000820 200kW ASSET-8000821
9	Spare g/boxes for Dry and Wet Sugar Elevators	1	1,000,000	Project Justified 27.04.2023 PID Approved 27.04.2023 PR 10016779 ASSET-8000801
10	4 Nos - Single-Cab - Pickups	4	20,800,000	Project Justified 06.04.2023 PR 10016768 ASSET-100084,85,86 PID Approved 24.04.2023 PR 10016764 ASSET-100087 PID Approved 27.04.2023
11	Replace raw water line	1	18,750,000	Project Justified 08.05.2023 PID Approved 09.05.2023 PR 10016972 ASSET-90020084
12	New injection pump to replace pump 2	1	10,000,000	Project Justified 24.01.2019 PID Approved 03.05.2023 PR 10016763 ASSET-8000792 Project Team appointed - 17.05.2023

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**Financial Statements for the Year ended 30 June 2024**

13	Assorted mill juice pumps (3 maceration juice pumps.)	3	3,000,000	Project Justified 14.04.2023 PID Approved 26.04.2023 PR 10016790 ASSETS-8000797,98,99
14	Supply of new Fibrizor rotor	1	12,000,000	Project Justified 14.04.2023 PID Approved 24.04.2023 PR 10016791

Note:

PID – Project Initiation Document

PR – Purchase Requisition

PO – Purchase Order

**South Nyanza Sugar Company Limited**  
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**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

<b>Ref No.</b>	<b>Observation from auditors</b>	<b>Management comments</b>	<b>Status, person responsible and timeframe</b>
1	<b>Receivables from Out Growers</b> The accuracy and recoverability of the receivables from out growers balances of Kshs. 43,074,000 as at 30 June, 2023 could not be confirmed.	This represents inputs and services rendered to our contracted farmers for cane not harvested at the balance sheet date 2022/2023. In the year under review, and in line with the Company credit policy, Management identified and recovered debts owing by farmers that were earlier classified as bad and doubtful by offsetting with cane proceeds payable against alternative plots under contract by the same grower.	In progress
2	<b>Unsupported Tax Balances.</b> The accuracy and completeness of tax payable balance of Kshs 8,281,000 could not be confirmed.	Observation noted and support provided accordingly in appendix 5	Resolved.
3	<b>Unsupported Deferred Tax.</b> The accuracy and completeness of the Deferred income tax balance of Kshs 27,666,000 could not be confirmed.	Observations noted and tax workings provided accordingly (Appendix 6 and actuarial valuations workings table 2 attached)	Resolved
4	<b>Property, Plant and Equipment:</b> The property, plant and equipment movement schedule has an unsupported depreciation adjustment of Kshs. 33,427,000 and disposals of Kshs. 33,372,000.	The issue raised noted and adjustments made accordingly	Resolved.
5	<b>Inaccuracy in Grants.</b> The accuracy and completeness of the grants balance of Kshs 898,581,000 could not be confirmed.	Total grants in Note 24 relates to farmers bail out by the Government paid directly to farmers through Agriculture Food Authority. This involved debiting the farmers accounts and crediting grant account. Since the Government did not give direction as to how these funds were to be treated in the books, the entire amount in grant account from previous years will be closed to retained earnings in the following year.	Resolved
6	<b>Material Uncertainty Related to Going Concern.</b> The company's current liabilities of Kshs 7,894,537,000 exceeded its	The company has registered remarkable improvement for the last three years by reporting a loss of Kshs 1.6 billion in year	In progress

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	<p>current assets of Kshs 817,657,000, resulting in a negative working capital of Kshs 7,076,880,000. This condition indicate existence of a material uncertainty, which may cast significant doubt on company's ability to continue as a going concern.</p>	<p>2019/2020, 1.3 billion in the year 2020/2021, Kshs 505 Million in the year 2021/2022 with the year under review reporting a reduction in loss of Kshs 467 million. Similarly, for the last three years, the Company has recorded improvement in Rendement. With continuous supply of raw material, management and the Board is confident that the Company will post profits. The Company is capable of achieving a rendement (recovery ratio) of 10% on a continuous crushing. A rendement of 10% is the industry standard.</p> <p>The following interventions outlined by the Company is working to mitigate the risks observed by your team:</p> <ol style="list-style-type: none"> <li>1. The Company is currently operating under austerity budget based on the level of activities. This will help in management of payroll cost to contain the wage bill. It's also important to emphasize that procurement of Capital items is currently based on priority basis so as to cut on unnecessary costs.</li> <li>2. To further enhance revenue, the Company will increase capacity for branded sugar given that branded sugar is more profitable.</li> <li>3. Product diversification of molasses packaging is in plan with a view to help the Company have an additional revenue stream post the next maintenance.</li> <li>4. The Company has come up with workable payment plans to address the outstanding obligations including the long term loan from Co-op Bank.</li> </ol> <p>As demonstrated in the results achieved in the last four years, we are determined</p>	

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		<p>to keep in focus the going concern issues and strategically tackle the challenges that impact negatively on the business.</p> <p>Based on the above, the Management believes that the Company will continue in operational existence for at least 12 months from the date of the approved financial statements. We therefore believe that it is appropriate to prepare the Company's financial statements on a going concern basis as current level of performance, gives reasonable indications of improvement thus providing relief for distress evidenced by the above numbers.</p>	
7	<p><b>Budgetary Control and Performance.</b> The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis amounts of Kshs. 3,789,011,000 and Kshs.4, 585,239,000, resulting over-funding of Kshs.796,429,000 (or 21% of the budget) Similarly, the Company incurred an expenditure of Kshs 5,101,286,000 (including finance cost and tax) against an approved budget of Kshs. 3, 761, 334, 000, resulting in an over expenditure of Kshs. 1,339,952,000 (or 36% of the budget). In the circumstances, the regularly of the over-funding and over-expenditure could not be confirmed.</p>	<p>Detailed explanation is given in Statement of Comparison of Budget and Actual Expenditure. Kindly note that the Company do not get funding from the exchequer to support its budget. The application of funds is based on the level of activities and performance.</p>	Resolved
8	<p><b>Failure to recover Trade and other receivables:</b> The statement of financial position reflects trade and other receivables balance of Kshs.18,983,000 which, as disclosed in the supporting Note 18 to the financial statements, is the net of gross amount of Kshs.262,056,000 less provision for impairment of Kshs.243,072,000 (Or 93% of the gross amount). This high default rate in debt repayment is an indication that</p>	<p>1. Trade receivable comprise of historical debts whose creation took between mid-1990s and the year 2000 when the credit management system had not been established and attempt at recovery through litigation could not be sustained. Some of the firms had gone under and some debts are already statute birred. Specific Provision of Kshs 73M is in place for this category.</p>	In progress

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	Management had not followed proper procedures and due diligence in issuance of credits as outlined in the Credit Policy.	2. Other receivables- The bulk of other receivables relates to deposit with lawyers (legal liability) pending appeals. These deposits will remain outstanding until the cases are concluded.	
9	<b>Long outstanding payables:</b> The statement of financial position reflects trade and other payables balance of Kshs.6, 490,930,000 which, as disclosed in Note 26 to the financial statements, includes trade payables balance of Kshs.390, 691,000 out of which according to the aging analysis provided for audit, Kshs.286,390,000 had been outstanding for a period of over 120 days. The balance of Kshs.6, 490,930,000 also includes other payables and accrued expenses amount of 6,003,505,000 most of which had been outstanding for a period of more than one (1) year. Management did not provide evidence of efforts made to recover the long outstanding payables. Failure to settle bills during year to which they relate distorts financial statement and budget provision for subsequent year.	<p>For nearly five (5) years prior to May 2020, the company did not carry out factory maintenance resulting to Low extraction and frequent breakdowns hence compromising the cash flow position making the Company unable to meet its obligations. This situation was compounded by the effects of the Corona Virus which affected the movement of people and critical production inputs.</p> <p>The impact of the challenges above contributed to the build-up of the pending bills as reflected in the company books as at 30.06.2023.</p> <p>With the maintenance carried out between May/August 2020, June/August 2021, and November/December 2022, remarkable improvement has been recorded in the management of the pending bills.</p> <p>The Government has also put in place plans to write off some of the long outstanding payables such as Government loans, taxes and penalties in addition to paying off other outstanding bills such as salary arrears and supplies of goods and services.</p>	In progress
10	<b>Legal cases:</b> There were four thousand and eight on going cases with a possible settlement of Kshs 2,005,455,025. Should the suits succeed, the company may be unable to settle the awards which may expose its assets for subsequent year.	The strategy employed by the company in reducing the running cases have succeeded where a number of cases have been withdrawn by farmers.	In progress
11	<b>Poor rendement (Yield) below the industry standards:</b> The statement of profit or loss and other comprehensive income reflects gross sales amount of Kshs. 5,130,131,000. However, records provided	For nearly five (5) years prior to May 2020, the company did not carry out factory maintenance resulting to Low extraction and frequent breakdowns hence compromising the cash flow position making the Company unable to	In progress

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Ref No.	Observation from auditors	Management comments	Status, person responsible and timeframe
	<p>for audit indicated that the Company milled 457,616 tons of canes during the year under review and produced 40.577 tons of sugar bagged, resulting in a rendement of 8.8% of the produced sugar which is below the recommended of 10%.</p> <p>In the circumstance, the efficiency of the factory was still below the standards set by the industry.</p>	<p>meet its obligations. This situation was compounded by the effects of the Corona Virus which affected the movement of people and critical production inputs.</p> <p>The impact of the challenges above contributed to the build-up of the pending bills as reflected in the company books as at 30.06.2023.</p> <p>With the maintenance carried out between May/August 2020, June/August 2021, and November/December 2022, remarkable improvement has been recorded in the management of the pending bills.</p> <p>The Government has also put in place plans to write off some of the long outstanding payables such as Government loans, taxes and penalties in addition to paying off other outstanding bills such as salary arrears and supplies of goods and services.</p>	
12	<p><b>Employees in acting capacity:</b> Review of the payrolls revealed that amount of acting allowances totaling to Kshs. 53,823,266 paid to three hundred and forty (340) employees who had served in acting capacities for periods exceeding six (6) months. This was contrary to the provisions of Section 34 of the Public Service Act, 2017 and Section 4.6 (h) of the South Nyanza Sugar Company Limited of Staff Administration Coode, revised 2007.</p>	<p>The Company experienced high staff turn-over in the recent past. However the Government through circular Ref: OP/CAB.39/4A dated July 28, 2017 and ref. MOAALF&amp;C/CS/ADM/30 dated July 7, 2020 froze recruitment/ confirmation of staff thus resulting into staff acting on the vacant positions beyond the stipulated time pending competitive filling of the vacant positions. (Refer Appendix UR2)</p>	In progress
13	<p><b>Violation of one-third of basic salary rule:</b> Analysis of the payroll of permanent staff for the month of June, 2023 revealed that twenty-seven (27) employees received net pays that were below a third of their respective basic salaries. This states that total amount of all deductions which may be made by an Act, 2007, which states that the total amount of all deductions which may be made by an employer from the wages of his</p>	<p>The issue raised is hereby noted. The affected staff have been faced with huge medical bills which were earlier loaded on their payslips. The management is determined to manage these issue with a view to comply. Remarkable improvement has been made in the year under review</p>	Resolved

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	employee at any one time shall not exceed two-thirds of such wages.		
14	<p><b>Non-Compliance with the law on Ethnic composition of staff:</b> Review of the staff establishment for year under review revealed that 86% of the Company's staff were from the same ethnic community. This was contrary to the provision of Section 7 (1) and (2) of the National Cohesion and integration Act, 2008, which stipulates that all public establishment shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.</p>	<p>Prior to the promulgation of the Constitution 2010, the Company had most of its employees from one ethnic community, however the Company has made efforts to comply as exhibited in new recruitments.</p> <p>Since the promulgation of the Constitution the Company has recruited 141 new staff out of which 44 staff are from a different ethnic communities.</p> <p>This represents 27% improvement from the overall 14% to 31%.</p> <p>The geographical location has posed a challenge in attracting some communities e.g. people from central and coast regions. The labor intensive type of operations is not attractive to some communities.</p>	In progress
15	<p><b>Failure to remit statutory and other deductions:</b> Records revealed that an amount of Kshs 841,581,000 in relation to statutory and other deductions was not remitted to various organisations.</p>	<p>In addressing the outstanding arrears, serious effort has been devoted to clearing the outstanding statutory obligation through engagements with KRA, NSSF, NHIF, Pension scheme among others on challenges the company has been facing. Correspondence with KRA, pension scheme, NSSF on our commitments to reduce the liabilities attached (Appendix UR5) for your reference.</p> <p>However, it's important to note that the Company is current on NSSF remittances and approval has been granted by the Cabinet and Parliament to write off all the taxes and penalties as at 30.06.2023.</p>	Taxes upto 30.06.2023 already written off. Other deductions still In progress.
11	<p><b>Unresolved Prior Year Matters</b> In the audit report of the previous year, several issues were raised under the Report on Financial Statement and the</p>	<p>The Government did via gazette notice dated 14<sup>th</sup> April 2023 reconstituted the Board. Information now included.</p>	Some cases have been resolved while others

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	report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the public Sector Accounting Standards Board templates		still in progress as demonstrated above.