

REPUBLIC OF KENYA



Enhancing Accountability

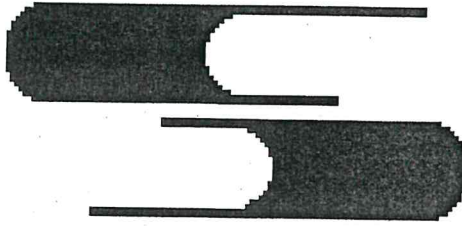
REPORT

OF
THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY	
DATE: 16 FEB 2022	DAY: Wed
TABLED BY:	LOM
CLERK OF THE TABLE:	S. Kalams

CHEMELIL SUGAR COMPANY LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2019**



CHEMELIL SUGAR COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2019

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



**CHEMELIL SUGAR COMPANY LIMITED
FINANCIAL STATEMENTS**

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KEY ENTITY INFORMATION AND MANAGEMENT

Background Information

Chemelil Sugar Company is located along Awasi - Nandi Hills road in Muhoroni sub County of Kisumu County, approximately 50 kilometres from Kisumu City. It was established in 1965 as a private limited Company and later became a Parastatal in 1974. The Company is a Parastatal under the Ministry of Agriculture, Livestock, Fisheries and Irrigation - State Department of Crop Development.

Principal Activities

The principal activity/mission of the Company is to manufacture sugar and co-products from sugarcane and to establish and manage sugarcane plantations.

BOARD OF DIRECTORS

Mr. Zedekiah Kiprop Bundotich
Mr. Gabriel Nyangweso
Mr. David Osiany
Principal Secretary, Ministry of Agriculture
Principal Secretary, Ministry of Agriculture
Principal Secretary, National Treasury
Development Bank of Kenya
Agricultural Development Corporation
VIVO Energy(K) LTD
Eng. Ezra Odhiambo
Ms. Christine Atieno

- Chairman
- Ag. Managing Director
- Independent Director
- Alternate, Ms. Mary Karanja (Exited in Dec. 2018)
- Alternate, Ms. Jackline Kiio (Joined in Dec. 2018)
- Alternate, Mr. Kennedy Odhiambo
- Alternate, Mr. Jacob Mananda
- Alternate, Mr. Richard Aiyabei
- Alternate, Ms. Naomi Assumani
- Independent Director (Exited in May 2019)
- Independent Director

CHIEF OFFICERS

Mr. Gabriel Nyangweso
Mr. Emmanuel Obetch Ngala
Mr. Joel Kiplagat
Mr. Elijah Chelagat
Ms. Jacqueline Kotonya
Mr. Moffat Omondi
Ms. Linda Kiplagat
Mr. Samson Oyayo
Mr. Amos Kosgei

- Ag. Managing Director
- Head of Finance
- Head of Agriculture(Ag)
- Head of Factory(Ag)
- Quality Assurance Manager
- Head of Human Resources(Ag)
- Marketing Manager (Ag)
- ICT Manager(Ag)
- Internal Audit Manager(Ag)

Entity Headquarters

P.O. Box 177-40107
Awasi-Nandi Hills Road
Muhoroni, Kenya

Entity Contacts

Telephone : (254) 020-2031883/4/5
E-mail: chemelil@swiftkisumu.com/chemelil.mdsoffice@gmail.com
Website: www.chemsugar.go.ke

Entity Bankers

Kenya Commercial Bank Limited
P.O. BOX 17-40100
KISUMU

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Co-operative Bank of Kenya Limited
P.O BOX 301511-40100
KISUMU


Independent Auditors
Matengo and Associates
Financial & Management Consultants
Lenana Road- Wood Avenue Junction
P.O. Box 67603-00200
Nairobi, Kenya.


On behalf of:
The Auditor-General
P. O. Box 30084 - 00100
Nairobi, Kenya

Principal Legal Adviser
Migos Ogamba & Company
P.O. Box 17- 40100
Nairobi, Kenya.
Otieno Ragot & Company
P. O. Box 3051 - 40100
Kisumu, Kenya.





Company Secretary
Image Registrars
P.O. Box 9287- 00100
Nairobi, Kenya.




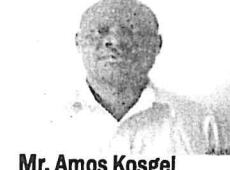


THE BOARD OF DIRECTORS

DIRECTOR'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
<p>1. Mr. Zedekiah Kiprop Bundotich</p>	<p>Mr. Bundotich was appointed as Chairman of the Board of Directors with effect from 20th September, 2018. He is a renowned businessman with a wide knowledge in transport and dairy industry spanning over 15 years.</p> <p> Holds Bsc of science in Management and Marketing (Royal Holloway University of London), Diploma in</p>
<p>Chairman</p>	<p>Business Management.</p> <p>He is the group Chairman and founder of Buzeki Group of Companies. Has achieved a lot in the business field.</p>
<p>2. Mr. David Osiany Independent Director</p>	<p>Mr. Osiany is a public policy professional with over 10 years experience in policy advocacy and advice, and strategic public management with special bias to communication, HR Management & Organizational Development. He holds MSc. Public Policy from the University of Bristol, United Kingdom and Bachelors Degree in Arts (Communication & Sociology) from the University of Nairobi. He was appointed Director with effect from 20th September, 2018.</p>
<p>3. Ms. Christine Atieno Otieno Independent Director</p>	<p>Ms. Atieno was appointed Board member of the Company with effect from 20th September, 2018. She is a Lawyer with vast experience in consultancy services and research. Currently a partner in charge of Finance and Administration at Maangi and Otieno Advocates. A member of various professional bodies e.g. FIDA, LSK, and CRADLE. Has previously consulted for APHIA-USAID, Oxfam GB, and Committee for implementation of the constitution of Kenya (CIC), National Legal Aid Awareness Program (NALEAP).</p> <p>Has Bachelor's degree in Law from University of Nairobi, Diploma in Law from Kenya School of Law.</p>
<p>4. Eng. Ezra O. Odhiambo</p>	<p>Mr. Odhiambo, aged 63 years is a holder of Executive Masters of Business Administration (EMBA) BSc Electrical Eng. From JKUAT-2009, Post Graduate Diploma in Telecommunications Management Studies from Bailbrok College (England)-1988 and He has broad business management experience which ranges from strategic planning, business administration, maintenance management, engineering, project management among others. He was appointed to the Board on 31.05.2016.</p>
<p>5. Mr. Jacob Mananda Alternate Director</p>	<p>Mr. Mananda represents Development Bank of Kenya. He has Masters of Science in Financial Economics and he is a Certified Public Accountant(K).</p>
<p>6. Mr. Kennedy Odhiambo</p>	<p>Mr. Odhiambo represents the National Treasury as per the State Corporation Act. Alternate to Principal Secretary, The National Treasury.</p>
<p> Alternate Director</p>	

<p>7. Mr. Richard Alyabel</p>  <p>Alternate Director (ADC)</p>	<p>Mr. Richard Alyabel aged 51 years is a holder of MSc. Degree in Agronomy from University of Eldoret, BSc. Degree in Agriculture from Moi University and Diploma in Farm Management from Egerton University. He is currently the Managing Director of the Agricultural Development Corporation a position he rose to progressively since joining the corporation in 1990 as an Assistant Farm Manager. His Directorship roles includes, Director Kenya Seed Company and Chairman Agro Chemical and Food Company ltd. Mr Richard Alyabel is a member of World ploughing Board, Kenya Ploughing Organisation (National Chairman), ASK Council Member Eldoret Branch and ASK Member of Executive Committee KPO among others. He represents Agricultural Development Corporation.</p>
<p>8. Ms. Jacqueline Kilo Alternate Director Ministry of Agriculture, Livestock, Fisheries and Irrigation</p>	<p>Represents Ministry of Agriculture, Livestock and Fisheries . She joined the Board on 11th October 2018.</p>

THE MANAGEMENT TEAM

MANAGER'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
	<p>Mr. Nyangweso holds a Masters Degree (MBA) in Strategic Management from Egerton University, BSc in Agriculture from University of Nairobi and International Certificate in sugarcane Agronomy from Mauritius. He has served Sony Sugar as Out growers Manager, Nucleus Estate Manager, Transport Manager and Head of Agriculture - a position he held until secondment to Chemelil Sugar Company as Managing Director in an acting capacity from 5th May 2017.</p>
<p>1. Mr. Gabriel Nyangweso Managing Director (Ag)</p>	
	<p>Aged 48 years, Mr. Chelagat holds a BSc. Mechanical Engineering Degree from Jomo Kenyatta University of Agriculture and Technology. He has training on Industrial Relations Management and Supervisory Skills Management, Consequence Management, Job Evaluation, and Boilers and Steam Systems by GEF-KAM. Prior to his current appointment, Mr. Chelagat was the Company's Engineering Manager-Mechanical a position he rose to since joining the Company as a Management Trainee in 1998. He is a registered member of Engineers Board of Kenya. He was appointed to his current post in June 2016.</p>
<p>2. Mr. Elijah Chepyegon Chelagat Head of Factory (Ag)</p>	
	<p>Aged 44 years, Emmanuel is a finance and strategy professional with over 18 years of experience in accounting and corporate reporting, financial management, strategy formulation and tax planning. He began his career as a graduate management trainee at Mumias Sugar Company before being confirmed to the position of Cost & Projects Accountant. He rose through the ranks serving in the positions of Treasury Accountant, Corporate Planning and Strategy Manager and Finance Manager (Systems and Compliance) before joining Chemelil Sugar Company. Emmanuel is a qualified accountant, a certified ISO 9001:2015 QMS lead Auditor and a trained Risk Management Champion. He holds Bachelor's degree in Commerce (Accounting Option) from Kenyatta University (KU) and Executive Master's degree in Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a member of The UK based Association of Chattered Certified Accountants (ACCA) and The Kenya Institute of Management (MKIM).</p>
<p>3. Mr. Emmanuel Obetch Ngala Head of Finance</p>	
	<p>Mr. Kiplagat is aged 59 years. He is a holder of Diploma in Agriculture from Egerton University and Certificate in Sugarcane Agronomy from RASTIC, Mauritius and a certificate in Rice cultivation from Ibaraki, Japan. He was appointed to the position of Head of Agriculture in May 2017 on acting capacity.</p>
<p>4. Mr. Joel Kiplagat Head of Agriculture (Ag)</p>	

 <p>5. Ms. Jacqueline Kotonya Quality Assurance Manager</p>	<p>Ms. Kotonya aged 45 years holds a BSc.Chemistry Degree from University of Nairobi. She has previously worked for Insteel limited as a Quality Assurance Coordinator and Unga limited as a Quality Controller. Her Memberships include Kenya Association of Manufactures (KAM), Kisumu Chapter, African Women in Science and Engineering (AWSE), Environmental Institute of Kenya(EIK).</p> <p>She was appointed to her current position in March 2011.</p>
 <p>6. Mr. Moffat Omondi Head of Human Resource (Ag)</p>	<p>Mr. Omondi is aged 52 years. He holds a Bachelor of Science degree Bsc. Chemistry (U.O.N),International Certificate in Chemical Control (Mauritius),Dip. In Human Resource Management (KIM) and Cert. In Monitoring and Evaluation (KIM). He is Associate Member of Institute of Human Resource. He was appointed to the position of Head of Human Resource in May 2017 on acting capacity.</p>
 <p>7. Mr. Japheth Ojwang Supply Chain Manager (Ag)</p>	<p>Mr. Ojwang is aged 42 years. He holds a Bachelors of Business Management degree in Purchasing and Supplies from Moi University and Diploma in Business Administration from Kisumu Polytechnic. He is a member of Kenya Institute of Supplies Management (KISM) and Chartered Institute of Procurement and Supply (CIPS). He was appointed to this position in May 2017.</p>
 <p>8. Mr. Amos Kosgei Internal Audit Manager (Ag)</p>	<p>Mr. Amos Kosgei is aged 42. He holds a Bachelor of Commerce Degree from Catholic University of Eastern Africa and is a Certified Public Accountant (CPA (K). He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has training on ISO 14001-2004 implementation , Public Procurement and Disposal Act and Information Systems Security. He is currently the secretary to the Integrity Committee of the Company. He was appointed the Internal Audit Manager in acting capacity in August 2015.</p>
 <p>9. Ms. Lindah J. Kiplagat Marketing Manager (Ag)</p>	<p>Ms. kiplagat is aged 41. She holds a Masters Degree (MBA) in Strategic Management from Jkuat University, BBA in Marketing from Kenya Methodist University and Diploma in Public Relations from UON. She is a member of Marketing Society of Kenya. She was appointed the Marketing Manager in acting capacity in May 2018.</p>
 <p>10. Mr. Samson Oyayo ICT Manager (Ag)</p>	<p>Mr. Oyayo is aged 58 years. He holds a Bachelor of Science (Computer Science and Mathematics) from University of Nairobi. Mr. Oyayo has training on Microsoft Certified Systems Engineer (MCSE), Data Communication Networks, Structured Systems Analysis and Design, and Oracle Administration.</p> <p>He was appointed to the position of ICT manager in acting capacity in August 2017.</p>

CHAIRMANS REPORT

The performance of Chemelil Sugar Company for the year ended 30 June 2019 is as follows;

OVERVIEW

The operating environment for the year under review was marked by myriad of challenges. The major challenge was cane shortage biting the zone caused by competition for cane from other millers as a result of lack of regulations to govern operations of the sugar industry. Due to cane shortage in the zone, the Company managed to mill for only seven months. The other challenge was breakdown of key machinery in the factory due to ageing plant which has not undergone major maintenance since the year 2013. This led to inefficient factory operations which worsened conversion ratios thus adversely affecting cashflow and profitability.

OPERATIONS

First quarter operations began in the second month after the Company took a strategic decision to resume cane milling starting with the cane drawn from Nucleus Estate so as to generate revenue and procure cane from Outgrowers farms. Performance was very good as the nationwide crackdown on imported contraband sugar raged on. Demand for local sugar was increased and sugar price improved enabling the Company to pay farmers on promptly.

The good sugar prices continued to spur milling operations into the second quarter but lasted only one month after the crackdown lost momentum and sugar confiscated from importers began getting its way back to the market. Like other local millers, the Company was unable to sell its stocks as prices had dipped sharply by mid October thereby creating a cashflow crisis. The government intervened with the promise to help defray cane arrears owed to sugarcane farmers by local millers. The Company then owed farmers over Ksh 210 million. The move encouraged farmers and enhanced cane supply to the mill.

The factory experienced a major breakdown just at the beginning of the third quarter which took nearly two weeks to resolve and triggered a series of other defects. The significant production time lost coupled with the January/February low purchasing power adversely affected the flow of Company operations and cash flows. The situation worsened when Chemelil Sugar Company farmers were omitted from the part payment of cane arrears released by the government in March 2019. They immediately withheld their cane and stopped delivering to Chemelil factory, thereby forcing the Company to halt milling operations.

The Company did not mill in the entire fourth quarter. Although the farmers received their part payment in May 2019, the industry was already experiencing general shortage of mature cane partly due to the effect of the long rains but also because of overharvesting before the long rains set in. The Company took advantage of the opportunity to concentrate on cane development activities in the Nucleus Estate during the fourth quarter.

The cumulative impact of all these operations from quarter one to quarter four was a loss of Ksh 646 Million.

FUTURE PROSPECTS

The Company's 5-year strategic plan (2017/18- 2021/2022) major objective is to avail cane supply of 690,000 tons in 2017/2018 and increase progressively to 871,000 tons in the year 2021/2022 by the end of the 5-year period. Cane yield is also projected to increase from 48 TCH to 75 TCH. Though these targets were not achieved in the year under review, it is envisaged that the Government commitment to privatize the sugar sector will mitigate the inadequate cane availability and supply to the factory.

The COMESA safeguard measures which were expected to lapse by Feb 2019 were extended by two more years. The Company's improved performance levels should enable it compete when that time lapses, the Company will continue to enhance factory efficiency and increase the branded sugar production. Cost management initiatives will continue to be implemented to return the company to profitability. More land in the catchment area is being put under cane to meet the factory optimum requirements and irrigation project is being enhanced to increase cane yield. The cane development program will continue into the next year where a further 3,000 hectares are targeted.

The privatization of the five Government owned sugar mills is in progress. This process is expected to enhance competitiveness, profitability and sustainability of the Company.

BUSINESS REVIEW

Access to adequate quality raw material and stability of market sugar price remain the key determinants of the Company's operational performance. The company continues to engage and/or contract farmers for cane supply. Improvement in cane availability is being pursued through planting of high sucrose and early maturing cane within the nucleus estate and improving extension services to farmers. Continued support to farmers with farm inputs and implements is on-going. All these efforts are aimed at improving the quantity and quality of the cane for milling. The cane testing unit which will peg cane payment on sucrose content thus ensuring the company gets value for money is almost complete.

The implementation of recommendations by the task force on Sugar Industry is expected to sanitize the regulatory regime, control sugar importation and create a level playing ground for all in the industry. The company is also keen on cost controls and in improved corporate communications policy to ensure it has support from all stakeholders.

PERFORMANCE CONTRACT

The company entered into a negotiated performance contract with the Government of Kenya for the year 2018/2019 by setting targets in line with the Strategic plan 2017/2018-2021/2022 and the Approved Budget for 2018/2019. The Company did not achieve its profitability target given the conditions it operated in. However few performance indicators were achieved in the year under review due to challenging environment we operated in. There is commitment of the Company's Board, Management and members of staff to continually improve performance and productivity of the Company. As a team we are positive and strongly believe in continued improved performance to achieve and surpass the boundaries of success.

DIVIDENDS

The company remains committed in giving a return on investment to all the shareholders as per its primary objective (Maximization of Shareholders' fund) through payment of dividends. However, due to aforementioned financial constraints the Company was not in a position to pay dividends. With all the measures being put in place, this is likely to change and dividends shall be paid accordingly.

APPRECIATION

On behalf of the Board of Directors, I wish to express my gratitude to all our cane farmers who have stood with us during these difficult times. I also wish to thank our suppliers, the Commodity Fund and the National Government for the loans given to us, cane transporters, cane development contractors and the sugar customers for their valued support in the last one year. Finally, I would also like to take this opportunity to sincerely thank the management and staff for their hard work and continued commitment to Company goals even during the difficult times experienced for the better part of the year. The Board is optimistic that we shall all improve our performance to meet our targets for future Company sustainability.



CHAIRMAN

REPORT OF MANAGING DIRECTOR

INTRODUCTION

It is my pleasure once again to report on the performance of Chemelil Sugar Company Limited for the year ended 30th June 2019

OVERVIEW

In the year under review, the Company experienced a number of challenges in its operations which include; Factory breakdowns due to aging plant which adversely affected throughput and conversion ratios; poaching of cane from the zone by other millers resulting in cane shortage; low agricultural machinery availability; unrestricted importation of sugar which resulted in glut in the market hence depressed sugar prices and low cane yields. These factors affected Company's revenue generation and thus cash inflows.

PERFORMANCE REVIEW

i. Operations

The factory milled a total of 197,292 tons of cane in the year under review compared to 153,627 tons milled in FY 2018. The Nucleus Estate supplied 32,608 tons of cane compared to 32,797 tons supplied in FY 2018, representing 16% of the total cane supply while the farmers supplied 164,684 tons compared to 120,830 tons supplied in FY 2018 representing 84% of the total cane supply. The amount paid to farmers for cane supply was Ksh 619 Million compared to Kshs 481 Million paid to farmers in FY 2018.

Cane supplied was milled at a conversion ratio of 15.6 to produce 12,649 tons of sugar compared to 9,114 tons produced in FY 2018, the production represents a 38% increase compared to the previous year. Sugar quality remained high as the Company complied with the Kenya Bureau of Standards (KEBS) requirements for Standardization Mark for brown sugar.

The sugar glut in the market pushed the average price of cane per ton down to Kshs 3,750 compared to cane price per ton of Kshs. 4,000 in FY 2018 representing a 6% decrease. Cane pricing committee was involved in setting minimum cane price based on prevailing ex-factory price of sugar.

Administration cost (Finance & Administration and Human Resource) increased by 3.47% in the year under review.

The molasses and Sugar prices deepened in the market in the year under review compared to previous year. The average price per ton of sugar was Kshs. 80,000 compared to Ksh. 85,000 for FY 2018. The decrease in sugar price was due to unrestricted /illegal importation of sugar which led to sugar glut in the market.

ii. Financial Results

The overall performance for the year was an operating loss of Shs. 646 million arising from cane shortage and factory inefficiencies. This was slightly higher than the restated loss of Shs. 614 million recorded in the previous year.

ISO 9001:2015 QUALITY MANAGEMENT SYSTEM

Chemelil Sugar Company Limited has made a strategic business decision to develop and implement a Quality Management System (QMS) across all departments of the Company. The implementation of the QMS is intended to improve and sustain the overall performance of the Company's business processes, products and services.

The Company has developed a roadmap and is committed to transit to the version of QMS, ISO 9001:2015.

APPRECIATION

On behalf of the Management and staff, I wish to express my gratitude to all our stakeholders for their valued support over the period. Key among them include cane farmers who have stood with us during these difficult times and have now redoubled their efforts in cane farming. I also wish to thank our materials suppliers, the Sugar Directorate , contractors , the sugar customers and Ministry of Agriculture, Livestock and Fisheries for their continued support. I take this opportunity to sincerely express my appreciation to the Board for their valued guidance and oversight. Finally, I thank the management and staff for their hard work and continued commitment to the Company.



GABRIEL NYANGWESO
Ag. MANAGING DIRECTOR

Mr. Gabriel Nyangweso

Mananging Director

Role and Function

The Human Resources and Finance Committee meets quarterly and is mandated to review financial performance and human resource policies of the company on a regular basis. It also makes suitable recommendations to the Board on executive management appointments among other issues.

3. Strategy and Technlcal Committee

Members

Mr. David Osiany

Chairman

Mr. Richard Aiyabei

Ms. Christine Atieno

Eng. Ezra Odhiambo

Mr. Jacob Mananda

Mr. Gabriel Nyangweso

Managing Director (Ag)

Role and function

The committee meets on need basis to review the operational and strategic issues such as cost management, diversification and information technology needs of the company and make recommendations to the Board on suitable long term strategies for the company.

The Board appoints other committees as and when required.

Communication with Shareholders

The Company is committed to ensuring that shareholders and stakeholders are provided with full and timely information about its performance. This is usually done through the distribution of the Company's Quarterly and Annual Reports to the National Treasury, Parliament and Parent Ministry on quarterly and yearly basis.

In this regard, the Company complies with its obligations on good corporate governance practices as contained in Mwongozo Code of Corporate Governance.

Board Evaluation and Performance

The Board conducts an annual evaluation to assess its effectiveness in discharging its mandate. The process entails self-evaluation for each director, evaluation of the Chairman of the Board on the overall Board interactions and conduct of business and the Chief Executive Officer. This is facilitated by State Corporations Advisory Committee (SCAC).

Conflict of Interest

All Directors are required to inform the Board of any conflicts or potential conflict of interest they may have in relation to particular items of the business ,in which case they are required to absent themselves from the deliberations and decisions on those matters, unless resolved that they remain.

Mwongozo Code of Governance

The Company has implemented the Mwongozo Code of Governance for State Corporations which was issued by the Presidency. The Company has re-aligned its Code of Conduct to the Leadership and Integriy Act 2012. All the Directors, management and employees are required to uphold .

Risk Management Report

Section 3.2 (a) of the mwongozo code of conduct requires that the Board ensure the development of a policy on Risk Management. In compliance therefore, the Company is developing the Enterprise Risk Management Framework and the Risk Register.

Management is accountable to the Company for designing, implementing and monitoring the process of risk management and integrating it into the day to-day activities while the Board will be responsible for the adoption or upgrading of the risk management plan. Risk management is the primary responsibility of line management.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company appreciates the importance of the community and environment in which it operates and takes deliberate measures to serve and uplift their standards of living. We have created a business model that strives to ensure that the return on investment is shared with our stakeholders.

In the 2018/2019 Financial Year, the Company undertook various Corporate Social Responsibility (CSR) programs by offering the following:

- Donations to schools, orphanages and churches
- Support of community projects i.e. Health Centre
- Donation of tree seedlings for environmental conservation

Health

The Company operates a Health Centre that supports the local community through provision of health care facilities and support through, preventive health campaigns, education and screening facilities. As Corporate Social Responsibility, the health facility extends its services to the surrounding community through provision of health services such as:-

- Comprehensive Care Centre (CCC)
- Voluntary Male Circumcision (VMC)
- Maternal Child Health Care (MCH)
- Family Planning (FP)
- Consultation
- Referral
- Nursing care
- Laboratory Diagnosis
- Drug dispensing
- Prevention and Management of HIV/AIDS

Education

The Company has an elaborate school education programme with an annual budget of approximately Kshs.70 Million. The Company directly runs two schools (Chemelil Sugar Academy and Sugar Primary School) and hosts two other public primary schools (Factory Primary School and Chemelil B 1).

Sports

The Company sponsors a Football Club which participates in the national Kenyan Premier League (KPL). The Club supports local talent and provides sporting entertainment both at national and grassroots level. The Company also runs a stadium which is available on request for local schools for their sporting events.

DIRECTORS REPORT

The directors submit their report together with the audited financial statements of the company for the year ended 30 June 2019 which disclose the state of affairs of the company.

1. BACKGROUND INFORMATION

Chemelil Sugar Company is located along Awasi- Nandi Hills road in Muhoroni sub County of Kisumu County, approximately 50 kilometres from Kisumu City. It was established in 1965 as a private limited Company and later became a Parastatal in 1974. The Company is a Parastatal under the Ministry of Agriculture, Livestock, Fisheries and Irrigation - State Department of Crop Development.

2. PRINCIPAL ACTIVITY

The principal activity of the company is growing of cane and manufacturing of sugar.

3. RESULTS

	2019 Shs	Restated 2018 Shs
(Loss) before Tax	(646,775,480)	(614,379,423)
Tax	-	-
(loss) for the year	<u>(646,775,480)</u>	<u>(614,379,423)</u>

4. DIVIDEND

The directors do not recommend the declaration of a dividend for the year. (2018 Shs-Nil).

5. DIRECTORS

The directors who held office during the year and to the date of this report are as shown on page 1.

In accordance with the Company's Articles of Association, no director is due for retirement by rotation.

6. INDEPENDENT AUDITOR

The Auditor General is responsible for the statutory audit of the company's books of account in accordance with provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. Section 23 of the Public Audit Act, 2015 empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Accordingly, Matengo and Associates was appointed to carry out the audit on behalf of the Auditor General for the year ended 30 June, 2019.

BY ORDER OF THE BOARD

COMPANY CHAIRMAN

..... 24-12-2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act (Cap. 486) requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results for that year. It also requires the directors to ensure the company maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, consistent with previous years and in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act (Cap 486). The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results for the year then ended. The directors further confirm the accuracy and completeness of the accounting records maintained by the company which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the system of internal controls.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on 24.12.2019 2019 and signed on its behalf by:



.....
CHAIRMAN



.....
MANAGING DIRECTOR

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON CHEMELIL SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30, JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

The accompanying financial statements of Chemelil Sugar Company Limited set out on pages 17 to 43, which comprise the statement of financial position as at 30 June, 2019, 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, have been audited on my behalf by Matengo & Associates, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Chemelil Sugar Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Non-Banking of Revenue

The statement of financial position and as disclosed in Note 26 to the financial statements reflects bank and cash balances of Kshs.28,136,021. It was noted that the Company collected revenue amount of Kshs.204,581,964 during the year. However, the company banked an amount of Kshs.78,421,046 leaving Kshs.126,160,918 unbanked. This was contrary to Regulation, 64(4) of the Public Finance Management (National Government) Regulations, 2015 which provides that all public moneys collected by a receiver of revenue or collector of revenue or collected and retained by a national government entity, shall be paid into the designated bank accounts of the national government and shall not be used by any public officer in any manner between the time of their receipts and payment into the bank except as provided by law.

Consequently, the accuracy, completeness and fair statement of the bank and cash balances of Kshs.28,136,021 could not be confirmed.

2.0 Unsupported Revaluation of Land

The statement of financial position and as disclosed in Note 21 to the financial statement reflects property, plant and equipment balance of Kshs.5,354,721,484. Included in this balance is a net carrying amount of freehold land of Kshs.2,000,000,000. The value of land rose from Kshs.1,400,000,000 as a result of a revaluation carried out during the year. However, there were no maps attached to support the nuclear plantation. despite some of the land hosting squatters.

Consequently, the accuracy, completeness and fair statement of the property, plant and equipment balance of Kshs.5,354,721,484 could not be confirmed.

3.0 Lack of an Updated Fixed Assets Register

The statement of financial position and as disclosed in Note 21 to the financial statement reflects property, plant and equipment balance of Kshs.5,354,721,484. The Company did not keep updated fixed asset register with location, condition and tagging of the assets. It was noted that assets with values less than Kshs.5,000 formed part of the asset instead of inventories This will overstate the value of fixed assets as they are supposed to be expensed.

Consequently, the accuracy, completeness and fair statement of the property, plant and equipment balance of Kshs.5,354,721,484 could not be confirmed.

4.0 Inaccuracies in Trade and Other Payables

The Statement of financial position and as disclosed in Note 27 to the financial statements reflects trade and other payables balance of Kshs.4,234,279,242. Included in this balance is an amount of Kshs.633,299,012 in respect of payroll liabilities. Review of the amount revealed that pension contributions and interest accruing amount of Kshs.161,760,753 was not remitted to the Staff Retirement Scheme. It was also observed that interest for the late remittance was not disclosed in the financial statements.

Consequently, the accuracy and completeness of the trade and other payables balance of Kshs.4,234,279,242 could not be confirmed.

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

Emphasis of Matter

Material Uncertainty in Relation to Going Concern

I draw your attention to the basis of presentation of financial statements on page 27. Management has disclosed that the current liabilities balance of Kshs.4,268,091,270 exceeded the current assets figure of Kshs.512,995,883 resulting to a negative working capital of Kshs.3,755,095,387 as at 30 June, 2019. Further, Management has disclosed that the Company has an accumulated loss of Kshs.7,052,108,792 while the shareholders funds were negative Kshs.2,225,972,946.

The Company is therefore technically insolvent and its continued operation as a going concern is therefore dependent upon financial support from the National Government and creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.4,607,887,513 and Kshs.1,208,002,807 respectively resulting to an under-realization of Kshs.3,399,884,706. Similarly, the Company incurred expenditure of Kshs.1,854,778,287 against an approved budget of Kshs.4,492,671,490 resulting to an under-expenditure of Kshs.2,637,893,203. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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 Non-Remittance of Statutory Deductions

The statement of financial position and as disclosed in Note 27 to the financial statements reflects trade and other payables balance of Kshs.4,234,279,242. Included in this figure is an amount of Kshs.2,781,352,373 relating to various tax arrears, penalties and interest. Further, it was noted that the company did not remit training dues of Kshs.3,051,200 to the National Industrial Training Authority (NITA), retirement benefits of Kshs.7,972,400 to the National Social Security Fund (NSSF) and health insurance deductions of Kshs.9,055,900 to the National Hospital Insurance Fund (NHIF).

Consequently, the Company was in breach of law for non-remittance of the statutory deductions and risks attracting penalties and interest.

2.0 Irregular Acting Appointment

During the year under review, it was noted that 155 staff members had been acting for more than six months without confirmation. This was contrary to Section 2.10.3 of the Human Resource and Administration Policy which requires that managerial staff shall be eligible for acting appointments if they are required to act in higher vacant position for a maximum period of six calendar months.

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 control, risk management and 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:

Report of the Auditor-General on Chemelil Sugar Company Limited for the year ended 30 June, 2019

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control 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 control, 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 liquidate the Company or 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 January, 2022



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2019 KShs	Restated 2018 KShs
Revenue	2	1,063,991,957	637,406,869
Cost of Sales	3	<u>(1,287,013,761)</u>	<u>(1,134,707,554)</u>
Gross (loss)/profit		(223,021,804)	(497,300,686)
Fair Value gain in biological assets	4	22,054,516	58,021,675
Other operating income	5	139,168,584	310,053,192
Administrative expenses	6	(512,611,029)	(404,495,067)
Operating (loss)		(574,409,732)	(533,720,885)
Finance costs	9	(76,414,170)	(84,161,419)
Finance income	10	4,048,422	3,502,881
(Loss) before tax		(646,775,480)	(614,379,423)
Tax	12	-	-
(Loss) for the year		<u>(646,775,480)</u>	<u>(614,379,423)</u>
Other comprehensive income:			
Revaluation surplus on property, plant and equipment		1,476,088,683	-
Deffered tax on revaluation surplus of property, plant and equipment		-	-
Total comprehensive income/(loss) for the year		<u>829,313,203</u>	<u>(614,379,423)</u>
Profit/(Loss) per share	13	<u>(61.13)</u>	<u>(58.07)</u>
Total comprehensive income/(loss) per share	13	<u>78.39</u>	<u>(58.07)</u>

The notes on pages 22 to 43 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	2019 KShs	Restated 2018 KShs
ASSETS			
Non-Current assets			
Property, plant and equipment	21	5,354,721,484	4,014,007,601
Biological assets – Bearer Plant	21(b)	<u>71,617,445</u>	<u>69,587,493</u>
		5,426,338,929	4,083,595,093
Current assets			
Biological assets – Consumable	22	25,498,533	58,893,086
Inventories	25	254,965,975	244,646,555
Loans to out growers	23	21,571,855	22,622,565
Trade and other receivables	24	167,639,858	168,043,431
Tax recoverable		15,183,641	15,183,641
Bank and cash balances	26	<u>28,136,021</u>	<u>35,074,394</u>
		512,995,883	544,463,672
TOTAL ASSETS		<u>5,939,334,812</u>	<u>4,628,058,765</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	14	211,591,620	211,591,620
Asset revaluation reserve	15	4,614,544,226	3,138,455,543
Retained Earnings		<u>(7,052,108,792)</u>	<u>(6,405,333,312)</u>
Shareholders' funds		<u>(2,225,972,946)</u>	<u>(3,055,286,149)</u>
Non-current liabilities			
Borrowings	16	3,491,985,569	3,421,405,574
Other accrued liabilities	18	253,380,081	261,325,780
Government grant	19	40,000,000	40,000,000
Deferred Income	20	<u>111,850,838</u>	<u>192,818,951</u>
Total non-current liabilities		<u>3,897,216,488</u>	<u>3,915,550,305</u>
CURRENT LIABILITIES			
Trade and other payables	27	4,234,279,242	3,740,693,112
Borrowings	16	24,112,241	17,401,710
Government grant	19
Dividends payable		<u>9,699,787</u>	<u>9,699,787</u>
Total current liabilities		<u>4,268,091,270</u>	<u>3,767,794,609</u>
TOTAL EQUITY AND LIABILITIES		<u>5,939,334,812</u>	<u>4,628,058,765</u>

The financial statements on pages 1 to 43 were approved and authorized for issue by the Board of Directors on 24-12-2019 and signed on its behalf by:

.....) CHAIRMAN) MANAGING DIRECTOR
) HEAD OF FINANCE, ACCA MNo. 0680452

STATEMENT OF CHANGES IN EQUITY

Notes	14 & 15	Share capital KShs.	Revaluation reserve KShs.	Retained Earnings KShs.	Total KShs.
As at 1 July 2017		211,591,620	3,139,174,457	(5,236,573,830)	(1,885,807,753)
As Previously Reported				(550,445,832)	(550,445,832)
Prior year Adjustments				<u>(4,653,142)</u>	<u>(4,653,142)</u>
-Tax penalties and interest					
-Fair value gain on Biological Assets					
As restated		211,591,620	3,139,174,457	(5,791,672,804)	(2,440,906,727)
Changes during the year					
On disposal			(718,914)	718,914	-
Total comprehensive loss for the year				(614,379,423)	(614,379,423)
As at 30 th June 2018		<u>211,591,620</u>	<u>3,138,455,543</u>	<u>(6,404,333,312)</u>	<u>(3,055,286,149)</u>
As at 1 July 2018		211,591,620	3,138,455,543	(6,057,853,932)	(2,707,806,769)
As previously reported				(682,196,488)	(682,196,488)
Prior Year Adjustments:				35,195,066	35,195,066
- Tax penalties and interest				<u>300,000,000</u>	<u>300,000,000</u>
- Fair value gain on Biological Assets					
-Grant income amortisation					
As Restated		211,591,620	3,138,455,543	(6,405,333,312)	(3,055,286,149)
Changes during the year					
Revaluation surplus			1,476,088,683	(646,775,480)	1,476,088,683
Total Comprehensive loss for the year				(7,052,108,792)	(646,775,480)
As at 30 June 2019		<u>211,591,620</u>	<u>4,614,544,226</u>	<u>(7,052,108,792)</u>	<u>(2,225,972,946)</u>

STATEMENT OF CASH FLOWS

	Note	2019 KShs	Restated 2018 KShs
OPERATING ACTIVITIES			
Cash (used in) / generated from operations	29	(148,634,458)	(149,977,993)
Interest paid		(71,888)	(17,986,410)
Interest received		-	3,502,881
Net cash (used in) / generated from operating activities		<u>(148,706,346)</u>	<u>(164,461,521)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	21	(1,952,451)	(28,449,909)
Proceeds on disposal of property, plant and equipment		-	903,760
Net cash used in investing activities		<u>(1,952,451)</u>	<u>(27,546,149)</u>
FINANCING ACTIVITIES			
Proceeds from Ministry of Agriculture grant		135,527,402	300,000,000
Insurance Premium Financing from DTB		11,142,158	-
Repayment of borrowings IPF		(2,180,074)	-
Interest payment IPF		(148,827)	(84,161,419)
Net cash generated from financing activities		<u>144,340,658</u>	<u>215,838,581</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>(6,318,139)</u>	<u>23,830,911</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>34,420,386</u>	<u>10,589,475</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>28,102,247</u>	<u>34,420,386</u>

The notes on page 21 to 43 form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT 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) Basis of preparation

The financial statements have been prepared on the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS).

The financial statements comply with the requirements of the Kenyan companies Act. The statement of profit and loss and the statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

(i) New and amended standards adopted by the company

IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted. This had no material effect on the Company's financial statements.

IFRS9 contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition. The standard provides that all recognised financial assets be subsequently measured at amortised cost or fair value (through profit or loss and or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless it creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces a credit model based on the concept of providing for expected losses at the inception of a contract. It will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised. For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle on 8 December 2016, amending the following standards:

IFRS1 First-time Adoption of International Financial Reporting Standards: Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

IFRS12 Disclosure of Interests in Other Entities: Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IAS28 Investments in Associates and Joint Ventures: Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

IFRS 15 Revenue from Contracts with Customers issued in May 2014 and effective for annual periods beginning on or after 1 January 2017, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) New standards, amendments and Interpretations issued but not effective for the financial year beginning 1 July 2017 and not adopted in advance of the effective date.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. It specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Impact of standards and interpretation:

The directors anticipate that the adoption of new Standards, Amendments and Interpretations resulting from the International Accounting Standards Board (IASB)'s improvements to IFRS listed above will have no material impact on the financial statements of the company and will be adopted as need arises according to the existing policies and strategies. The IASB's annual improvements process deals with non-urgent, minor amendments to standards.

(b) Critical accounting estimates and judgements

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

Key sources of estimation uncertainty

Management has made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Biological assets-In arriving at the fair valuation of biological assets, the management has adopted IAS 41 and 61 in valuation of Cane Bearer Plant, Cane Bearer Plant Work In Progress, Consumable Cane and Livestock.

(c) Revenue recognition

Revenue represents the value of sugar and molasses supplied by the company net of Value Added Tax, rebates and discounts.

The company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measured until all the contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

(i) Sales are recognized upon delivery of products and customer acceptance.

(ii) Interest income is accounted for in the period it is earned.

(iii) Rental income is accounted for in the period it is earned.

(iv) other income is recognized as it accrues

(d) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings, using the exchange rates prevailing at the dates of the transactions. Assets and liabilities at the reporting date expressed in the foreign currencies are translated into Kenya shillings at the rates ruling as at that date. The resulting differences from conversion and translation are dealt with in profit and loss account in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1.SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, Plant and Equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition for its intended use.

Freehold land, buildings and plant and machinery are subsequently shown at the market values, based on periodic, but at least triennial 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.

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 can be reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in the profit or loss account in the financial period in which they are incurred.

Increase in the carrying amount arising on revaluation are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Freehold land and work-in-progress are not depreciated.

Depreciation on the remaining property, plant and equipment is calculated on straight line basis so as to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	<u>Rate %</u>
i)Buildings and roads:	
Buildings	2.50%
Roads	12.25%
ii)Plant, equipment and machinery:	
Factory plant and machinery	5.00%
Irrigation project	6.67%
Agricultural implements	10.00%
Wheeled tractors and cane loaders	12.25%
Crawling tractors	10.00%
Trailers and caterpillar implements	8.33%
iii)Motor vehicles and other equipment:	
Lorries and land rovers	16.67%
Other vehicles	20.00%
Office machines, fittings and equipment	20.00%
Household equipment	20.00%
Office furniture	10.00%
Computer hardware	25%

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining the operating profit(loss). On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation 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 grouped at the lowest levels for which there are separately identifiable cashflows (cash-generating units)

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Financial instruments

The company's financial assets which include cash and bank balances, trade and other receivables and tax recoverable fall into the following category:

Loans and Receivables: Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognized in the profit or loss.

Purchase and sale of financial assets are recognized on the trade date i.e the date on which the company commits to purchase or sell the asset.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of impairment loss for assets carried at amortised cost is calculated at the difference between the asset's carrying amount and the present values of expected future cashflows, discounted at the financial instrument's effective interest rate. Impairment losses are taken into account for determining operating (loss).

Financial liabilities

The company's financial liabilities which include borrowings and trade and other payables fall into the following category:

Financial liabilities amortised at cost: These are initially measured at fair value and subsequently measured at amortised cost, using the effective rate method.

Borrowings are initially recognized at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction cost) and the redemption value is recognized as interest expense in the profit or loss under finance costs.

Fees associated with the acquisition of borrowing facilities are recognized as transaction costs of the borrowing to the extent that it is possible that some or all of the facilities will be acquired. In this case the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the period of the facility.

All financial liabilities 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities are derecognized when, and only when, the company's obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

i) Cash and cash equivalents

For the purpose of the cashflow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts.

Restricted cash balances are those balances that the company cannot use for working capital purposes as they have been placed as a lien to secure borrowings.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

j) Share capital

Ordinary shares are classified as capital.

k) Dividends

Dividends are recognized as a liability in the period in which they are declared. Proposed dividends are disclosed as a separate component of equity until declared.

l) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in equity. In this case, the tax is also recognized in equity.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided for using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognized only to the extent it is probable that future taxable profits will be available against which temporary timing differences can be utilized.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Employee entitlements

Employee entitlement to gratuity and long service awards are recognized when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

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

n) Retirement benefit obligations

The company operates a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The scheme is administered by an insurance company. The company's contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

o) Biological assets

Biological assets are measured at the fair value less estimated point-of-sale cost. The fair value is determined based on market prices in the local area.

p) Government grants

Government grants relate to assets, including non-monetary grants at fair value, presented in the statement of financial position by setting up the grant as deferred income.

The government grant is recognized as income on a systematic and rational basis over useful lives of the assets.

q) Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of presentation of financial statements

At the reporting date current liabilities exceeded current assets by Shs. 3,755,095,387 (2018: Shs. 3,223,330,937). The shareholders fund was Shs.(2,225,972,946) on 30 June 2019. The company has accumulated losses amounting to shs. 7,052,108,792 (2018: shs. 6,405,333,312). The company meets its day to day working capital requirements from revenue generated and through borrowings from its bankers and Commodity Fund.

The Directors have prepared projected cash flows covering the periods after the reporting date. On the basis of expressions of support from the company's lenders, this cashflow information and other financial information, the directors consider it appropriate to prepare the financial statements on a going concern basis

2. Revenue

	2019	Restated
	Kshs	2018
		Kshs
Gross sales	1,226,079,925	730,334,064
Less: Value Added Tax	(162,075,969)	(92,927,195)
Sugar Development levy	-	-
Discounts	-	-
Net Sales	<u>1,063,991,957</u>	<u>637,406,869</u>
Gross sales is comprising of the following:		
Revenue from sale of milled local sugar	1,173,982,755	673,741,778
Revenue from sale of Molasses	<u>52,097,171</u>	<u>56,592,286</u>
Total revenue	<u>1,226,079,925</u>	<u>730,334,064</u>

3. Cost of sales

Cost of cane		
Cost of milled cane-Nucleus Estate	202,217,686	209,619,707
Cost of milled cane- Outgrowers Farms	<u>619,438,463</u>	<u>481,525,296</u>
	821,656,148	691,145,003
Factory costs	465,349,640	443,522,924
Increase in closing inventory	<u>7,973</u>	<u>39,627</u>
Total cost of sales	<u>1,287,013,761</u>	<u>1,134,707,554</u>

4. Aggregate gain/(loss) arising from changes in fair value on biological assets (note 21e)

Sugar plantation	21,588,516	57,948,675
Livestock	<u>466,000</u>	<u>73,000</u>
	<u>22,054,516</u>	<u>58,021,675</u>

5. Other operating income

Miscellaneous income	318,284	4,820,794
Gain/ (Loss) on disposal of Assets	(8,862,785)	(3,359,965)
Physical inventory adjustment	338,039	(3,691,381)
Government grant	135,527,402	300,000,000
Rental income	<u>11,847,643</u>	<u>12,283,744</u>
Total other operating income	<u>139,168,584</u>	<u>310,053,192</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019 Shs	Restated 2018 Shs
6. Administrative expenses		
Finance and administration department	114,281,903	114,622,601
Human resource department	174,627,860	151,070,228
Penalties and interest on tax arrears	153,628,183	131,750,656
Interest on unremitted pension	70,0073,082	-
Provision for bad and doubtful debts		<u>7,051,582</u>
Total administrative expenses	<u>512,611,029</u>	<u>404,495,067</u>

The tax penalties and interest relates to current outstanding tax payable to KRA. This has been calculated based on applicable tax laws and rates. The company has accrued interest on unremitted pension contributions. This is as determined by the Scheme administrators as at 30th June 2019.

7. Operating loss

The following items have been charged/(credited) in arriving at operating loss:

	2019 Shs	2018 Shs
Depreciation on property, plant and equipment (Note 20)	137,327,249	143,422,920
(Gain)/loss on disposal of property, plant and equipment	8,862,785	(362,558)
Auditors' remuneration	3,109,785	3,299,748
Directors' emoluments:- Allowances	5,689,036	11,733,875
Loan outgrowers- impairment	-	(529,190)
Repairs and maintenance	142,129,121	132,292,287
Staff costs (note 8)	<u>495,191,892</u>	<u>496,888,750</u>

8. Staff costs

Salaries and wages	476,296,470	477,778,993
Leave pay and allowance	3,155,930	3,706,000
Pension fund contribution:		
-Defined contribution scheme	14,034,292	14,208,757
-National Social Security Fund	<u>1,705,200</u>	<u>1,195,000</u>
	<u>495,191,892</u>	<u>496,888,750</u>

9. Finance costs

Bank overdraft interest	1,668,541	7,396,935
Loan interest	<u>74,745,629</u>	<u>76,764,483</u>
Total finance costs	<u>76,414,170</u>	<u>84,161,419</u>

Loan interest mainly arises from Loans sourced from Commodities Fund charged at the rates of 3-6%. The Company also has a bank loan and an Insurance Premium Finance loan which accrue interest at the annual rate of 14%p.a and flat rate of 2.55% respectively.

10. Finance income

Interest income	<u>4,048,422</u>	<u>3,502,881</u>
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This represents interest income from loans advanced by the Company to farmers. The outstanding loans to farmers earn interest income at the rate of 12% p.a. on principal loan.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019 Shs	Restated 2018 Shs
12. Tax		
Current tax	-	-
Deferred tax charge (note 17)	-	-
<p>The tax on the company's (loss) before tax differs from the theoretical amount that would arise using basic rate as follows:</p>		
(Loss) before tax	<u>(646,775,480)</u>	<u>(614,379,423)</u>
Tax calculated at a tax rate of 30% (2018: 30%)	<u>(194,032,644)</u>	<u>(184,313,827)</u>
Tax effect of:		
-Deferred tax not recognized	270,945,613	-
-Expenses not deductible for tax purposes	216,263,116	-
Tax charge	-	-
13. Loss per share		
<p>Loss per share is calculated by dividing the (loss) attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year</p>		
Loss attributable to equity holders	<u>(646,775,480)</u>	<u>(614,379,423)</u>
Weighted average number of shares	<u>10,579,581</u>	<u>10,579,581</u>
Loss per share	<u>(61.13)</u>	<u>(58.07)</u>
Total comprehensive income/(Loss) per share	<u>78.39</u>	<u>(58.07)</u>
14. Share capital		
Authorised, issued and fully paid		
10,579,581 ordinary shares of Shs. 20 each	<u>211,591,620</u>	<u>211,591,620</u>
15. Revaluation reserve		
Property, plant and equipment	<u>4,614,544,226</u>	<u>3,138,455,543</u>
Property, plant and equipment		
-Freehold land	2,000,000,000	1,400,000,000
-Land and buildings	1,684,689,366	1,079,671,616
-Plant equipment and machinery	<u>929,854,860</u>	<u>658,783,927</u>
	<u>4,614,544,226</u>	<u>3,138,455,543</u>
<p>The movements in reserves were as follows:</p>		
Freehold land		
At start of year	1,400,000,000	1,400,000,000
Increase in fair value	<u>600,000,000</u>	-
At end of year	<u>2,000,000,000</u>	<u>1,400,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

15.	Revaluation reserve (continued)	2019 Shs	2018 Shs
	Buildings		
	At start of year	1,079,671,616	1,079,671,616
	Movement in revaluation	605,017,750	-
	Transfer of excess depreciation	-	-
	Deferred tax on excess depreciation transfer	-	-
		<u>1,684,689,366</u>	<u>1,079,671,616</u>

Plant equipment and machinery

	At start of year	658,783,927	659,502,841
	Movement in revaluation	271,070,933	-
	Movement on disposal	-	(718,914)
	Transfer of excess depreciation	-	-
	Deferred tax on excess depreciation transfer	-	-
	At end of year	<u>929,854,860</u>	<u>658,783,927</u>

Reserves are not distributable.

16. Borrowings

The borrowings are made up as follows:

		2019 Shs	2018 Shs
	Non-current		
	Bank loan	-	-
	Kenya Sugar Board loan	3,491,985,569	3,421,405,574
	Total	<u>3,491,985,569</u>	<u>3,421,405,574</u>
	Current		
	Bank overdraft (note 26)	33,773	654,008
	Insurance Premium Financing loan	7,482,223	-
	Bank loan	16,596,244	16,747,703
		<u>24,112,241</u>	<u>17,400,710</u>
	Total borrowings	<u>3,516,097,810</u>	<u>3,438,807,285</u>

Borrowings are secured as follows:

- a) The Company has a composite banking facility with KCB bank secured by debentures amounting to Shs. 145,000,000 over the assets of the Company ranking pari passu with Commodity Fund; Legal charge over property of the Company identified as L.R Nos. 11840, 1611/4 and 1612/4; and Letters of awareness from parent Ministry of Agriculture, Livestock, Fisheries and Irrigation for sum of Shs. 145,000,000. The utilization of this facility as at 30 June 2019 was Shs. 16,907,246 (2018- Shs. 17,401,710) leaving undrawn facility amounting to Shs. 128,092,754.
- b) The Company's outstanding loans from Commodity Fund are secured by debentures amounting to Shs. 1,409,487,912 over the assets of the Company ranking pari passu with KCB Bank.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 borrowings (continued)

	2019	2018
	%	%
Kenya Sugar Board Loan	3-6	3-6
Bank overdraft/KCB Loan	<u>14</u>	<u>14</u>

In the opinion of the directors, the carrying amounts of short-term borrowings approximate to their fair value. Fair values are based on discounted cashflows using a discount rate based upon the borrowing rate that the directors expect would be available to the company at the reporting date.

In the opinion of directors, it is impracticable to assign fair values to the company's long-term liabilities due to inability to forecast interest rate changes.

The carrying amounts of the company's borrowings are denominated in Kenya Shillings.

	2019	2018
	Shs	Shs
Maturity of non-current borrowings		
Between 1 and 2 years	3,331,852,319	3,250,782,344
Over 2 years	<u>160,133,250</u>	<u>170,623,230</u>
	<u>3,491,985,569</u>	<u>3,421,405,574</u>

During the year, the company defaulted on loan agreements relating to Kenya Sugar Board by not honouring the repayment of principal and interest amounting to Shs. 120,500,035 due to cash flow constraints.

Borrowings from this institution amounted to 3,491,985,569 (2018: Shs. 3,421,405,574) as at the year end. This include interest payable of Shs. 905,068,697 (2018: 834,488,702) which remained unpaid as at 30 June 2019. The management expects to meet all contractual obligations in the future.

During the year, the new movement in loans from Commodities Fund was as follows :

	2019	2018
	Shs	Shs
At start of the year	3,421,405,574	3,344,641,591
Proceeds during the year	-	-
Interest charge	74,596,802	76,763,983
Repayment during the year	(4,016,806)	-
At end of year	<u>3,491,985,569</u>	<u>3,421,405,574</u>

There were no undrawn facilities as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Deferred tax

Deferre tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2018: 30%). The movement of the deferred tax account is as follows:

	2019 Shs	2018 Shs
As at year start	-	-
Statement of comprehensive income (credit)	-	-
As at year end	-	-

Deferred tax assets and liabilities and deferred tax charge in the statement of comprehensive income are attributable to the following items:

	At start of year Shs	(Credit)/charge to statement of comprehensive income Shs	At end year Shs
Deferred tax liabilities			
Property, plant and equipment			
-Historical cost	(16,196,217)	15,393,320	(802,897)
-Revaluation surplus	(779,328,457)	(292,982,741)	(1,072,311,198)
-Biological assets	(28,129,041)	6,643,808	(21,485,234)
	<u>(823,653,715)</u>	<u>(270,945,613)</u>	<u>(1,094,599,328)</u>
Deferred tax assets			
Other temporary differences	91,280,478		91,280,478
Tax loss carried forward	<u>732,373,237</u>	<u>270,945,613</u>	<u>1,003,318,850</u>
	<u>823,653,715</u>	<u>270,945,613</u>	<u>1,094,599,328</u>
Net deferred tax liability	-	-	-

Deferred tax assets on losses carried forward are only recognized to the extent of certainty of availability of sufficient future taxable profits to utilize such losses against.

No provision has been made for the above deferred tax assets, which includes an asset arising from tax losses amounting to Kshs. 7,502,108,792 (2018: Kshs. 6,057,853,932) because it is not expected that the company will have taxable profits in the foreseeable future against which the temporary differences and tax losses can be utilized. The Kenyan Income Tax Act requires tax losses to be utilized within four years from the date which they were incurred and for any tax losses incurred before 1st January 2010 are deemed to have been incurred on that date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Other accrued liabilities:

	Gratuity Kshs	Provision for long- term service dues Kshs	Provision for outstanding leave days Kshs	Total Kshs
At 1 July 2017	8,798,440	234,948,274	20,606,160	264,352,874
Adjustment during the year	1,363,796	(1,243,817)	(3,147,073)	(3,027,094)
Payment during the year	-	-	-	-
At 30 June 2017	<u>10,162,236</u>	<u>233,704,457</u>	<u>17,459,087</u>	<u>261,325,780</u>
At July 2018	10,162,236	233,704,457	17,459,087	261,325,780
Adjustment during the year	1,088,865	(7,326,478)	(1,708,086)	(7,945,699)
Payment during the year	-	-	-	-
At 30 June 2019	<u>11,251,101</u>	<u>226,377,979</u>	<u>15,751,001</u>	<u>253,380,081</u>

19. Government grants

Gok/State Department of Agriculture grants

	2019 Kshs
At 1 July 2018 (As previously reported)	340,000,000
Prior year Adjustment	
-Amortization	(300,000,000)
At 1 July 2018 (As restated)	40,000,000
Amount received in the year	135,527,402
Amortisation in the year	(135,527,402)
At 30 June 2019	<u>40,000,000</u>
Current	40,000,000
Non-current	-
Total	<u>40,000,000</u>

The grant relates to interest free advance of Kshs 40 million from State Department of Agriculture and Kshs 135 Million from Government of Kenya to the Company which were utilized in settling farmers arrears. The grant of Kshs.135 Million was recognized as income in the year while grant of 300 Million received in November 2017 was amortised to retained earnings as a prior year adjustment

20. Deferred Income

	2019 Shs	2018 Shs
Prepaid Sugar and molasses	111,850,837	192,818,951

Deferred income consist of pre-sales of sugar and of molasses amounting to Kshs. 110,910,100 and Kshs. 940,737 respectively. These will be recognized as revenue when the stocks are delivered and invoiced.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21.a) Property, plant and equipment

Year ended 30 June 2019

COSTOR VALUATION
As at 1 July 2018

As Previously Reported
Revaluation surplus
Additions
At 30 June 2019

COMPRISING

Cost

Valuation

DEPRECIATION

At 1 July 2018

Reversal of Accumulated Dep.
Charge for the year

At 30 June 2019

NET CARRYING AMOUNT
At 30 June 2019

Property, plant and equipment were professionally valued in 2018 by Tysons Limited, independent valuers. Valuations were made on the open market basis for freehold land and buildings and on replacement cost basis for plant, equipment and machinery. The carrying amounts of the assets were adjusted to the revalued amounts and the resultant surplus net of deferred tax was credited to the asset revaluation reserve in equity. In the opinion of the directors, there is no impairment of all classes of property, plant and equipment.

	Freehold land KShs	Buildings and roads KShs	Plant, equipment and machinery KShs	Motor vehicles and other equipment KShs	Capital work- in-progress KShs	Total KShs
	1,400,000,000	1,555,640,000	1,763,990,601	116,809,657	-	4,836,440,258
	600,000,000	400,840,000	(248,806,730)	(12,232,000)		739,801,270
	-	-	-	1,952,451		1,952,451
	<u>2,000,000,000</u>	<u>1,956,480,000</u>	<u>1,515,183,871</u>	<u>106,530,108</u>		<u>5,578,193,979</u>
	-	3,551,424	886,404,527	109,706,359		999,662,310
	<u>2,000,000,000</u>	<u>1,952,928,576</u>	<u>628,779,344</u>	<u>(3,176,251)</u>		<u>4,578,531,669</u>
	<u>2,000,000,000</u>	<u>1,956,480,000</u>	<u>1,515,183,871</u>	<u>106,530,108</u>		<u>5,578,193,979</u>
	-	204,177,750	503,627,432	114,627,475		822,432,657
	-	(204,177,750)	(501,091,609)	(31,018,054)		(736,287,413)
	-	<u>48,912,000</u>	<u>82,863,892</u>	<u>5,551,357</u>		<u>137,327,249</u>
	-	<u>48,912,000</u>	<u>85,399,715</u>	<u>89,160,778</u>		<u>223,472,493</u>
	<u>2,000,000,000</u>	<u>1,907,568,000</u>	<u>1,429,784,156</u>	<u>17,369,330</u>		<u>5,354,721,484</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

21.b) Property, plant and equipment

Year ended 30 June 2018	Freehold land KShts	Buildings and roads KShts	Plant, equipment and machinery KShts	Motor vehicles and other equipment KShts	Capital work- in-progress KShts	Total KShts
COST OR VALUATION						
At year start	1,400,000,000	1,555,640,000	1,737,324,492	116,455,857	-	4,809,420,349
Additions	-	-	28,096,109	353,800	-	28,449,909
Disposals	-	-	(1,430,000)	-	-	(1,430,000)
At 30 June 2018	<u>1,400,000,000</u>	<u>1,552,640,000</u>	<u>1,763,990,601</u>	<u>116,809,657</u>	-	<u>4,836,440,258</u>
COMPRISING						
Cost	-	3,551,424	628,779,344	107,753,908	-	740,084,676
Valuation	<u>1,400,000,000</u>	<u>1,552,088,576</u>	<u>1,135,211,257</u>	<u>9,055,749</u>	-	<u>4,096,355,582</u>
	<u>1,400,000,000</u>	<u>1,552,640,000</u>	<u>1,763,990,601</u>	<u>116,809,657</u>	-	<u>4,836,440,258</u>
DEPRECIATION						
At 1 July 2017	-	165,286,750	406,179,857	108,431,929	-	679,898,536
On disposal	-	-	(888,798)	-	-	(888,798)
Charge for the year	-	<u>38,891,000</u>	<u>98,336,373</u>	<u>6,195,546</u>	-	<u>143,422,919</u>
At 30 June 2018	-	<u>204,177,750</u>	<u>503,627,432</u>	<u>114,627,475</u>	-	<u>822,432,657</u>
NET CARRYING AMOUNT						
At 30 June 2018	<u>1,400,000,000</u>	<u>1,351,462,250</u>	<u>1,260,363,169</u>	<u>2,182,182</u>	-	<u>4,014,007,601</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. c) BIOLOGICAL ASSET - CANE BEARER PLANT

	Cane Bearer Plant Shs	Cane Bearer plant capital work- In-progress Shs	Total Shs
AT JULY 1, 2017			
Cost/Valuation			
As previously reported	-	-	
Prior year adjustment	120,895,768	45,241,646	166,137,414
Cost (As restated)	120,895,768	45,241,646	166,137,414
Accumulated Depreciation			
As previously reported	-	-	-
Prior year adjustment	<u>(83,922,699)</u>	-	<u>(83,922,699)</u>
Restated Accumulated Depreciation	<u>(83,922,699)</u>	-	<u>(83,922,699)</u>
Net carrying amount	36,973,070	45,241,646	82,214,716
AT JULY 1, 2018			
Cost/Valuation			
Opening carrying amount	36,973,070	45,241,646	82,214,716
Additions		15,378,432	15,378,432
Disposals	(3,722,523)		(3,722,523)
Transfers from capital work in progress	24,242,716	(24,242,716)	-
Depreciation Charge for the year	(24,283,132)		(24,283,132)
At 30 June 2018	33,210,131	36,377,361	69,587,492
AT JULY 1, 2018			
Cost/Valuation			
As previously reported	-	-	-
Prior year adjustment	130,979,791	36,377,361	(167,357,152)
Cost (As restated)	130,979,791	36,377,361	(167,357,152)
Accumulated Depreciation			
As previously reported	-	-	-
Prior year adjustment	<u>(97,769,659)</u>	-	<u>(97,769,659)</u>
Restated Accumulated Depreciation	<u>(97,769,659)</u>	-	<u>(97,769,659)</u>
Net carrying amount	33,210,131	36,377,361	69,587,492
YEAR ENDED 30 JUNE 2019			
Opening carrying amount	33,210,131	36,377,361	69,587,493
Additions		29,911,825	29,911,825
Disposals	(8,936,185)		(8,936,185)
Transfers from capital work in progress	17,615,715	(17,615,715)	-
Depreciation Charge for the year	<u>(18,945,687)</u>	-	<u>(18,945,687)</u>
At 30 June 2019	22,943,974	48,673,471	71,617,445
CARRYING AMOUNT			
Cost or Valuation	116,591,693	48,673,471	165,265,164
Accumulated depreciation	<u>(93,647,718)</u>	-	<u>(93,647,718)</u>
Net carrying amount (valuation basis)	22,943,974	48,673,471	71,617,445
Net carrying amount (cost basis)	22,943,974	48,673,471	71,617,445

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 BIOLOGICAL ASSETS-CONSUMABLE

	<u>2019</u>	<u>Restated 2018</u>
Consumable growing cane	24,372,533	58,233,086
Consumable asset-Livestock	<u>1,126,000</u>	<u>660,000</u>
Total biological assets	<u>25,498,533</u>	<u>58,893,086</u>

a) Consumable Growing Cane

	<u>2019</u>	<u>2018</u>
At beginning of the year (As previously reported)	93,103,472	141,843,731
- Change in Accounting Estimates	<u>(34,870,386)</u>	<u>(86,867,857)</u>
At beginning of the year (As restated)	58,233,086	54,975,874
Decrease due to harvest at fair value less point of sale costs	<u>(55,449,070)</u>	<u>(54,691,463)</u>
	<u>2,784,017</u>	<u>284,411</u>
Gain arising from changes in fair value attributable to physical changes	20,484,096	68,278,782
Gain arising from changes in fair value attributable to price changes	<u>1,104,421</u>	<u>(10,330,107)</u>
Fair value gain during the year	<u>21,588,516</u>	<u>57,948,675</u>
Carrying amount at the end of the year	<u>24,372,533</u>	<u>58,233,086</u>

The Company grows sugar cane (biological asset) in its Nucleus Estate whose produce is harvested for replanting or milling. The Company has accounted for its biological assets in accordance with revised IAS 41 and IAS 16. Cane stem is recognised as the consumable growing produce from the 7th month when it begins to form sucrose. The produce fully matures with maximum sucrose 14 months thereafter but can be harvested as early as 9 months as seedcane.

NOTES TO THE FINANCIAL STATEMENTS (continued)

b) Consumable Asset-Livestock

	<u>2019</u>	<u>2018</u>
At beginning of the year	660,000	747,000
Increase due to new acquisitions and births	38,889	-
Decrease due to slaughter or sale	<u>(314,889)</u>	<u>(160,000)</u>
	384,000	587,000
Gain attributable to biological transformation	256,000	70,000
Gain arising from price changes	486,000	3,000
Fair value gain during the year	742,000	73,000
Carrying amount at the end of the year	<u>1,126,000</u>	<u>660,000</u>

The Company keeps dairy cattle (biological assets) in its Academy Section whose produce is used within the school to reduce boarding expenses. The Company has accounted for its biological assets in accordance with revised IAS 41 and IAS 16.

23. Loans to Outgrowers

Co-operative societies	374,892,022	374,015,333
Large and medium scale farmers	52,874,843	54,705,992
Transport and equipment loans	<u>1,303,754</u>	<u>1,400,004</u>
	429,070,619	430,121,329
Less: impairment		
Co-operative societies	(365,958,108)	(365,958,108)
Large and medium scale farmers	(40,706,920)	(40,706,920)
Transport and equipment loans	<u>(833,736)</u>	<u>(833,736)</u>
	<u>(407,498,764)</u>	<u>(407,498,764)</u>
	<u>21,571,855</u>	<u>22,622,565</u>

The company's credit risk arises primarily from loans to co-operative societies, outgrowers and large and small scale farmers. The directors have made a provision for the portion of the outgrowers loans whose recovery is in doubt.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Trade and other receivables	2019 KShs	2018 KShs
Trade receivables	44,327,692	61,164,068
Less : Provision for impairment	<u>(29,513,990)</u>	<u>(29,513,990)</u>
Net trade receivables	<u>14,813,702</u>	<u>31,650,078</u>
Other receivables	86,134,969	78,406,163
Less : Provision for impairment	<u>(43,798,468)</u>	<u>(43,798,468)</u>
Net other receivables	<u>42,336,500</u>	<u>34,607,695</u>
Deposits and prepayment	28,939,241	30,116,834
Payables with Debit Balances		
Trade Payables	8,635,896	8,513,947
Small Scale Farmers	25,434,303	27,983,136
Large Scale Farmers	15,070,314	17,065,253
Payroll Liabilities	31,290,656	17,607,448
Other Payables	<u>1,119,246</u>	<u>499,039</u>
	<u>81,550,414</u>	<u>71,668,823</u>
Trade and Other Receivables	<u>167,639,858</u>	<u>168,043,431</u>

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value. The company's credit risk arises from trade and other receivables. The directors have made a provision for the portion of the receivables whose recovery is in doubt. Individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations. These have been fully provided for as stated above.

Payables with Debit balances have been reclassified as receivables

The other classes within trade and other receivables do not contain impaired assets.

25. Inventories

	2019 Kshs	2018 Kshs
Milled sugar	-	7,973
Factory and field stores	256,753,981	258,402,266
Milled sugar-in-process	-	2,127,850
Unmilled cane	-	-
Filling station	833,187	833,187
Molasses	468,720	139,895
Molasses in process	-	-
Stationery	1,922,478	1,512,148
Medicines	1,021,358	1,151,400
Goods-in-Transit	<u>76,832,939</u>	<u>63,334,684</u>
	336,904,288	327,509,402
Less; Impairment for obsolete and slow moving inventories	<u>82,862,847</u>	<u>82,862,847</u>
	<u>254,965,975</u>	<u>244,646,555</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Cash and Cash equivalents

	2019 Shs	2018 Shs
Cash at bank and in hand	28,136,021	35,074,394
Short-term bank deposits	-	-
	<u>28,136,021</u>	<u>35,074,394</u>

For the purpose of the cash flow statement, the year-end cash and cash equivalents are as follows:

	2019 Shs	2018 Shs
Cash at bank and in hand	28,136,021	35,074,394
Short-term bank deposits	-	-
Bank overdrafts (note 16)	<u>(33,773)</u>	<u>(654,008)</u>
	<u>28,102,247</u>	<u>34,420,386</u>

The carrying amounts of the company's cash and cash equivalents are all denominated in Kenya Shillings.

27. Trade and other payables

	2019 shs	Restated 2018 Shs
Trade payables	333,790,070	331,179,116
Cane payables	285,438,631	320,790,550
Staff & Current Defferred Debts with Credit bal.	77,504,636	76,943,870
Payroll liabilities	633,299,012	417,633,000
Other payables and accruals	<u>122,894,521</u>	<u>140,477,155</u>
	1,452,926,869	1,287,023,691
Tax Arrears		
VAT Payable	863,437,141	779,816,971
PAYE Payable	597,246,551	506,898,281
Withholding Tax Payable	10,734,144	10,647,814
Sugar Development Levy Arrears	474,109,867	474,109,867
Penalties and Interest on Tax Arrears	<u>835,824,671</u>	<u>682,196,487</u>
	2,781,352,373	2,453,669,421
Total	<u>4,234,279,242</u>	<u>3,740,693,112</u>

The Directors have made provisions for penalties and interest payable on tax arrears amounting to Shs 835,824,671. Of this amount Shs. 153,628,183 arose during the current year while Shs 682,196,488 relates to periods before 30th June 2018. The comparative prior year balance of trade and other receivables has been restated to include this amount.

In the opinion of the directors, the carrying amounts of the current portion of trade and other payables approximate to their fair value.

28. Related party transactions and balances

Commodity Fund loans

The Company is a related party to Agriculture and Food Authority (AFA) by virtue of common ownership by the ultimate parent, the Government of Kenya, through the state department of Crop Development, Ministry of Agriculture, Livestock, Fisheries and Irrigation. In addition, AFA is the regulatory arm of the Ministry under which both Sugar Companies and the Commodities Fund fall. The Company has obtained loans from Commodities Fund. Transactions with AFA/Commodities Fund are detailed in note 16.

Directors and Executive staff

During the year Kshs.5.7 Million was incurred on Directors allowances and expenses while Kshs. 13 Million was spent on Senior Management salaries and allowances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Cash (used in) operations

	2019 Shs	Restated 2018 Shs
Reconciliation of loss before tax to cash (used in) operations		
Loss before tax	(646,775,480)	(614,379,423)
Adjustment for:		
Depreciation on property, plant and equipment (note 21)	137,327,249	143,422,919
(Gain)/loss on disposal of property, plant and equipment	8,684,378	(362,558)
Gain on valuation of biological assets (note 4)	(22,054,516)	(58,021,675)
Interest income	(4,048,422)	(3,502,881)
Interest expense	76,414,170	84,161,418
Amortisation of government grant	(135,527,402)	(300,000,000)
Penalties and Interest	223,701,265	131,750,656
Decrease in other accrued liabilities (note 18)	(7,945,699)	(3,027,094)
Changes in working capital		
-Inventories (note 25)	(10,319,419)	53,789,366
-Trade and other receivables (note 24)	403,572	39,578,074
-Loan to outgrowers (note 23)	1,050,709	(534,745)
-Restricted cash and cash equivalents	-	-
-Trade and other payables	<u>230,276,730</u>	<u>377,147,950</u>
-Cash (used in) operations	<u>(148,634,458)</u>	<u>(149,977,993)</u>

30. Contingent liabilities

The company is a defendant in various litigations and claims amounting to Kshs. 660 million, which arose in the ordinary course of business. A provision of Ksh 66 million has been made in the financial statements, as the directors believe, based on information currently available, that the ultimate resolution of these legal proceedings is not likely to have an effect on the operations of the Company that is materially at variance with the amount.

31. Risk management objectives and policies

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate 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 minimise potential adverse effects on the company's financial performance.

Currently, the company is in the process of establishing a risk management committee that will develop risk management policies to be used in identifying, evaluating and hedging of financial risks in close co-operation with various departmental heads.

a) Market risk

Foreign exchange risk

The Company's operations are localised in Kenya and its financial statements are denominated in Kenya Shillings. Exposure to foreign currency risk is therefore limited only to transactions involving import of goods and services and outstanding bills. The scale of such transaction was low in the year to 30 June 2018 and exposure is considered negligible.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Interest rate risk

The company is exposed to interest rate risk as it borrows funds from Commodity Fund and through bank overdrafts. The risk is managed by negotiating for a fixed rate with the Banks over a period of time. For Commodity Fund, the company negotiates for an extended repayment schedule that does not expose the company to penalties. At 30th June 2018, if the interest rates at that date had been 10% higher with all other variables held constant, post-tax (loss) for the year would have been Shs.8,000,000 (2018: Shs. 7,000,000) arising mainly as a result of higher interest expense on variable borrowings. The capping of interest rates by the Government has reduced exposure to the risk.

Price risk

The Company realized unfavourable sugar prices in the second half of the year due to unrestricted importation of sugar causing glut in the market.

b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

The company's policy on sugar sales is payment before delivery by cash or bankers cheques. This largely limits the exposure to credit risk. For credit customers, an approved credit period is granted for customers who have been vetted and approved.

The company's policy on cane development loans is that the loans are granted to farmers who meet the loaning conditions which include provision of adequate collateral cover. Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet obligations as they fall due. The company manages liquidity risk by maintaining banking facilities, continuous monitoring of actual cash flows and regular review of forecasts as well as matching the maturity profiles of financial assets and liabilities.

32. Capital management

The company's objectives when managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company is financed through internally generated funds and borrowings from Commodity Fund and Kenya Commercial Bank Limited.

33. Country of incorporation

Chemelil Sugar Company Limited is incorporated in Kenya under the Companies Act as a private limited liability company and domiciled in Kenya.

34. Presentation currency

The financial statements are presented in Kenya Shillings (Shs).

NOTES TO THE FINANCIAL STATEMENTS (continued)

35. Statement of budget and actual comparisons

The milling capacity and revenue budget for FY 2018/2019 was based on the assumption that the Company would obtain funding for plant maintenance but this never materialized. In addition, the Company experienced operational challenges due to shortage of milling cane in the zone during the year under review. The factory did not mill for 5 months of the financial year. This led to unfavourable variance in revenue generation and overall loss in the year.

REVENUE	BUDGET	ACTUAL	VARIANCE	EXPLANATION
Net Sales	4,577,035,513	1,063,991,957	(3,513,043,556)	The Company sold 12,649 tons sugar at average net price of Sh80,060 instead of budgeted 58,120 tons at net price Sh75,862. However, the positive price variance of Sh53.1m was swept away by the greater adverse quantity variance of Ksh 3.45 b.
Operating Income	26,000,000	4,435,026	(21,564,974)	Rent income of Sh12m has been netted down by Sh8m loss on disposal of bearer plant. Opportunity to sell scrap metal and other items Sh.6m normally retained after OOC maintenance was missed.
Finance Income	4,850,000	4,048,422	(801,578)	
Armortisation of GoK grant	-	135,527,402	135,527,402	The GoK grant for settling cane arrears had not been anticipated while developing the budget.
Total income	4,607,887,513	1,208,002,807	(3,399,884,706)	
Expenses				
Cost of sales and less gain in fair value of cane	3,805,709,135	1,273,626,404	2,532,082,731	The Company bought 164,684 tons cane at Sh3,750 per ton instead of 614,606 tons at Sh3,900 thereby saving Sh. 24.7m and Sh 1.8bn on price of and cane quantity respectively. In addition maintenance and process materials cost budget was underabsorbed by Sh700m due to missed maintenance and low production.
Finance and Administration costs	319,921,623	114,281,903	205,639,720	-At the lower than budgeted level of operation, the Company placed tight controls on administrative expenditure.
Human Resources Costs	261,314,012	174,627,860	86,686,152	-Only minimum inhouse trainings and housing repairs were undertaken as the Company could not fully fund the budget.
Financing Costs	105,726,720	68,540,855	37,185,865	The original budget had anticipated higher financing cost as funds were expected for maintenance.
Penalties and interest charge	-	223,701,265	(223,701,265)	Penalties and interest on unremitted taxes and pension contributions had previously neither been provided for in annual budgets. The policy to make provisions was adopted for the first time during the year for prudence purposes.
Total expenditure	4,492,671,490	1,854,778,287	2,637,893,203	
Surplus/(Deficit)for the period	115,216,023	(646,775,480)	(761,991,503)	