



MUMIAS SUGAR COMPANY LIMITED

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2010

MUMIAS SUGAR COMPANY LIMITED

The Directors are pleased to announce the audited financial results for the year ended 30 June 2010.

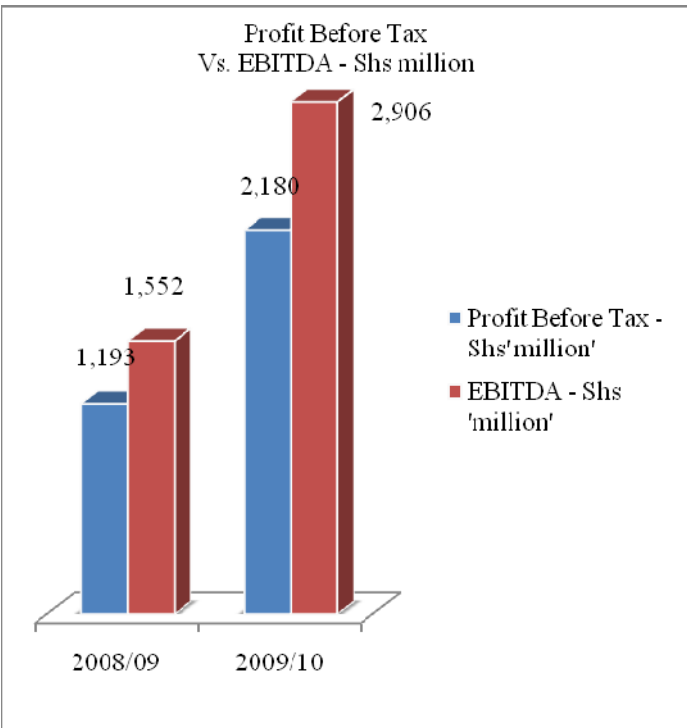
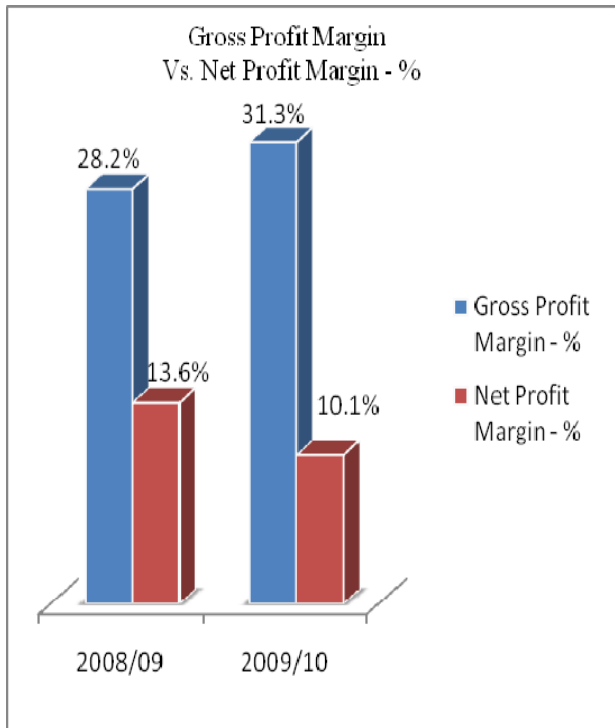
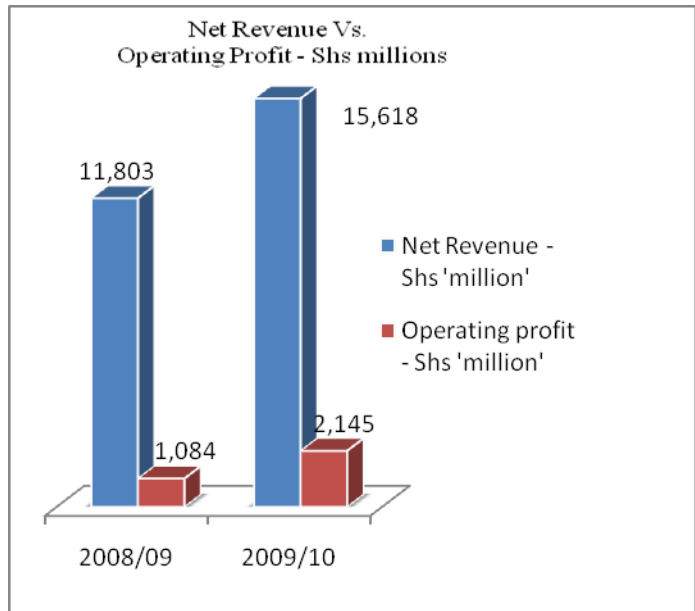
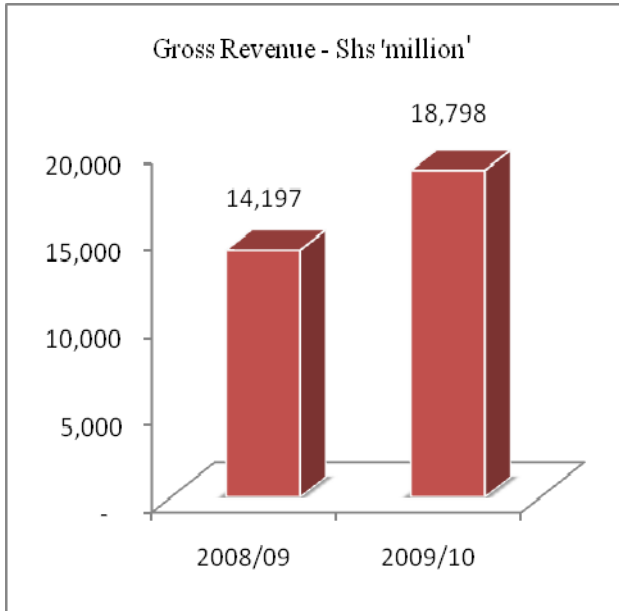
STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2010	Year ended 30 June 2009
	Shs'000	Shs'000
GROSS SALES	18,797,765	14,197,410
LESS: TAXES AND LEVIES		
VALUE ADDED TAX	(2,574,669)	(1,932,356)
SUGAR DEVELOPMENT LEVY	(605,358)	(461,775)
	-----	-----
NET SALES	15,617,738	11,803,279
	=====	=====
OPERATING PROFIT	2,144,539	1,084,426
FINANCE INCOME - NET	35,335	108,735
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PROFIT BEFORE TAXATION	2,179,874	1,193,161
TAXATION (CHARGE) / CREDIT	(607,491)	416,811
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TOTAL COMPREHENSIVE INCOME & PROFIT FOR THE YEAR	1,572,383	1,609,972
	=====	=====
EARNINGS PER SHARE	Shs 1.03	Shs 1.05
	=====	=====

HIGHLIGHTS

In comparison to the previous year;

Net Revenue	↑	32%
Operating Profit	↑	98%
Profit Before Tax	↑	83%
Gross Profit Margin	↑	3%



**MUMIAS SUGAR COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
30 JUNE 2010**

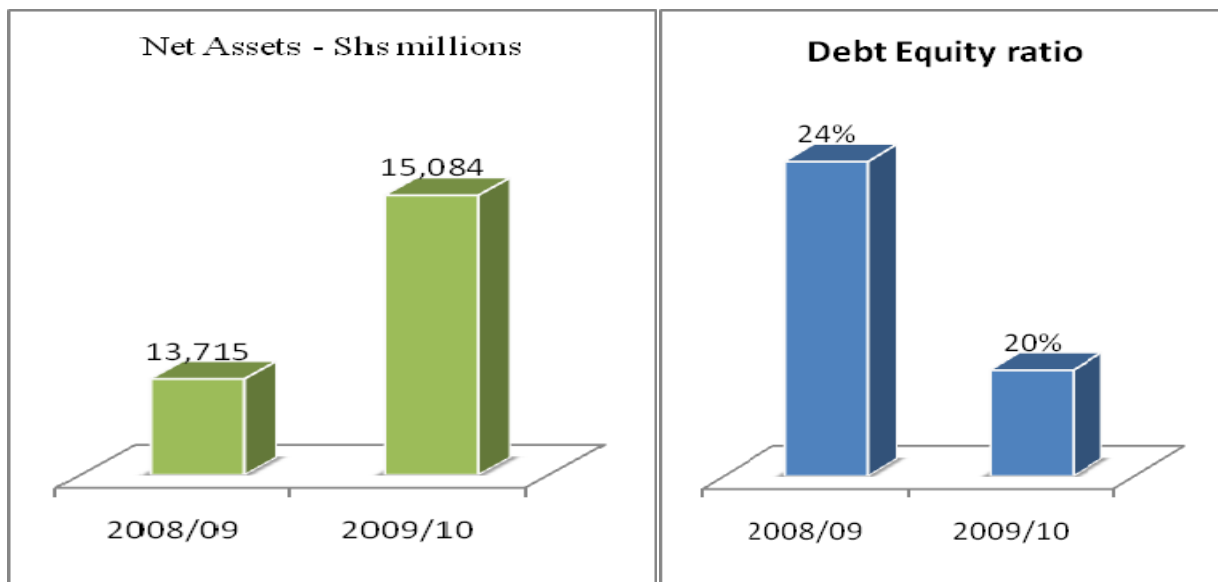
	30 June 2010 Shs'000	30 June 2009 Shs'000
ASSETS		
Non current assets		
Property, plant and equipment	11,585,953	12,098,452
Non-current receivables and intangible assets	241,272	265,331
	<hr/>	<hr/>
	11,827,225	12,363,783
	<hr/>	<hr/>
Working capital		
Current assets	6,495,834	5,099,837
Current liabilities	(3,250,021)	(3,760,339)
	<hr/>	<hr/>
Net working capital	3,245,813	1,339,498
	<hr/>	<hr/>
Non-current assets held for sale	11,051	12,095
	<hr/>	<hr/>
TOTAL NET ASSETS	15,084,089	13,715,376
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Share capital	3,060,000	3,060,000
Revaluation surplus	1,535,846	1,687,251
Retained Earnings	6,404,006	5,292,218
	<hr/>	<hr/>
	10,999,852	10,039,469
	<hr/>	<hr/>
Non current liabilities		
Long Term Loans	2,192,476	2,382,814
Deferred income tax liability	1,846,201	1,238,710
Other long term Liabilities	45,560	54,383
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	15,084,089	13,715,376
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HIGHLIGHTS

In comparison to the previous year;

Net Assets ↑ 10%

Debt to Equity ratio ↓ 4%



**STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2010**

	Year ended 30 June 2010 Shs'000	Year ended 30 June 2009 Shs'000
Balance at 1 July	<u>(397,307)</u>	<u>193,108</u>
Net cash generated from operating activities	3,004,318	1,563,224
Net cash used in investing activities	(322,689)	(3,173,147)
Net cash (used in) / generated in financing activities	(938,195)	1,019,508
Increase / (decrease) in cash and cash equivalents	1,743,434	(590,415)
Balance at 30 June	<u>1,346,127</u>	<u>(397,307)</u>

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2010

	Share capital Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Total Shs'000
At 1 July 2009	3,060,000	1,687,251	5,292,218	10,039,469
Total comprehensive income for the year	-	-	1,572,383	1,572,383
Final dividend declared - 2009	-	-	(612,000)	(612,000)
Transfer on disposal of equipment	-	(14,293)	14,293	-
Deferred taxation transferred on disposal of equipment	-	4,288	(4,288)	-
Transfer of excess depreciation	-	(202,000)	202,000	-
Deferred taxation on excess depreciation	-	60,600	(60,600)	-
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At 30 June 2010	3,060,000	1,535,846	6,404,006	10,999,852
	=====	=====	=====	=====

TAXATION

In the current financial year, only the deferred tax has been charged in the statement of comprehensive income.

	30 June 2010 Shs'000	30 June 2009 Shs'000
Current tax based on adjusted profit for the year at 30%	-	-
Deferred tax – Current year	(600,856)	411,276
– Prior year under / (over) provision	(6,635)	5,535
Total Deferred Taxation (Charge) / Credit	<hr/> (607,491) <hr/> =====	<hr/> 416,811 <hr/> =====

Current taxation is Shs nil (2009: Shs nil) due to the fact that at 30 June 2010, the company had accumulated tax losses of Shs 3.1 billion (2009: Shs 5.8 billion) arising mainly from claimed investment deductions.

RESULTS

The financial results for the year ended 30 June 2010 are encouraging given the challenges experienced in the second half of the financial year, and a commendable improvement over last year. The company made a profit before tax of Shs 2,180 million. This was 83% higher than last year's profit before tax of Shs 1,193 million.

OPERATIONS

The company processed 2,318,080 tonnes (2009 - 2,161,031) of sugar cane, which is 7.3 % higher than last year. This is attributed to higher factory availability this year. The sugar plant underwent major repair and maintenance at the beginning of the financial year leading to improved availability and efficiency.

The company anticipated to process more cane but was hampered by exceptionally heavy rain especially in the second half of the financial year. On average, the Mumias sugar cane belt received 2,798 mm of rain in the year which was 40% higher

than the long term annual mean of 2,003 mm. This disrupted cane harvesting and delivery programmes hence adversely affecting the cane available for crashing in the period. This also led to considerable damage to the roads and bridges which affected transport of cane to the factory.

In the period, the company produced 235,792 (2009 – 231,014) tonnes of sugar, which is 2% higher than that produced last year.

The co-generation plant commissioned in May 2009 was still undergoing integration with the sugar plant and is yet to operate at its full capacity. Fully commercial operations commenced in January 2010.

REVENUE

Gross turnover is Shs 18,797,763 (2009 - Shs 14,197,410) which is 32% above that achieved last year. This is attributed to better sugar selling prices attained during the year. The global supply of sugar has been low resulting in above average selling prices during the year in the local market.

Revenue was also enhanced by the sale of power from co-generation plant which generated a gross revenue of Shs. 359 million (2009 - Shs13 million).

This was the first year of operation of the new co-generation plant and it is expected to generate more revenue in coming years apart from enhancing the efficiency of the sugar plant through better quality steam and power supply.

CONTRIBUTION TO GOVERNMENT REVENUE

The company continues to be one of the largest contributors to the government exchequer in taxes from Value Added Tax (VAT), Sugar Development Levy (SDL) and other taxes. In the financial year the company paid over Shs 3.6 billion (2009 - Shs. 2.8 billion) in VAT, SDL and other taxes

PROFIT AND EARNINGS PER SHARE (EPS)

Profit before tax increased by 83% from Shs 1,193 million made last year to Shs 2,180 million this year. Profit after tax of Shs 1,572 million (2008- Shs 1,610 million) was realized which is a slight decrease of 2% over last financial year. In the previous year, the company benefited from a tax credit as a result of investment deduction on the cogeneration plant of 150%. Earnings per share is Shs 1.03(2009- Shs 1.05) which is Shs 0.02 per share lower than last year being a 2% decrease.

DIVIDENDS

The Directors propose a first and final dividend of 20% per ordinary share of Shs 2.00 each which is Shs 0.40 per share. The register of members will close at 4:30 pm on 5 November 2010. Final dividend will be paid to shareholders on the register as at the close of business on 5 November 2010. The Final Proposed Dividend is accounted for as part of equity until it has been ratified at the Annual General Meeting scheduled to be held on 3December 2010.

STATUTORY AUDIT

The accounts were audited by Deloitte & Touche and received an unqualified opinion.

OUTLOOK

Sugar Industry

The world sugar prices have declined from an all time high of USD 700 - 750 per tonne in the first half of the year to about USD 500 - 600 per tonne in the second half of the year. We expect this range to be maintained in the coming financial year.

In the COMESA region, sugar prices have remained relatively high in the financial year and surplus countries were able to fetch premium prices for their sugar. Sugar that is imported from member states was not available as most of it was exported to other destinations that were facing shortages occasioned by decline in global supply thus fetching premium prices.

The sugar industry in the country and the region is expected to get more competitive as the COMESA safeguard measures expires in 2012. Sugar companies will have to lower their cost of production and expand their product range to create new revenue streams.

The company also intends to increase its production of pre-packed sugar following the commissioning of a new packaging plant in September 2009. The company will also begin fortification of some of its sugar with nutrients to improve the health of the consumers.

Electricity Generation

The new cogeneration plant has been operated for its first full financial year and yielded commendable results given the challenges experienced in the period. The constraint was primarily in availing a constant flow of raw materials mainly bagasse (a by-product of sugar cane processing) from the sugar plant to the power plant to generate electricity. The power plant could not be operated smoothly due to cane disruption of harvesting and haulage programmes occasioned by exceptionally heavy rains resulting in lower than expected bagasse (fuel). There were also cases of reduced offtake by Kenya Power and Lighting Company. The company is in the process of refurbishing one of the old boilers to save on fuel consumption and improve efficiency of the power plant.

Greenfield Operations

Reliance on rain-fed sugar cane and small holder grower farms as a way of obtaining its sugar cane for processing introduces concentration risks on the long term sustainability of the business. Three years ago, the company successfully completed a feasibility study on an integrated sugar project in the Tana River delta in collaboration with Tana and Athi River Development Authority (TARDA). The company has identified this as one of the medium to long term projects to be implemented. This will ensure the company sustainably delivers value to its shareholders and the other stakeholders. The government is also expected to support and enhance the implementation of the project in line with Vision 2030 on development of river deltas and basins.

Ethanol

The feasibility study on the viability of setting up an Ethanol Plant in Mumias that was initiated in the last financial year was completed and the project confirmed to be viable. The company is in the initial stage of implementing the project. It will be financed through a mixture of debt and equity. The debt financier has been identified and the loan is being progressed.

The project is scheduled to be commissioned in December 2011. The company will support compliance with the government legislation requiring petrol sold in the Kenyan market to be blended with ethanol. However this will require enabling legislation for sustained viability.

Water Bottling Plant

The company identified water bottling plant as a viable project that fits well in its strategy. The cogeneration plant commissioned at the end of the last financial year presented a viable opportunity of bottling the excess water from its water treatment plant which has an estimated capacity of 16 million litres per year. This is expected to be completed by 30 June 2011.

Future Outlook

The Board of Directors have a Strategic Plan that is continually reviewed to ensure that the strategies in place will result in sustained profitability. The capital projects will result in product diversification with value added products to reduce risks of over-reliance on sugar. The Board is cautiously optimistic of a satisfactory performance in the coming year.

BY ORDER OF THE BOARD

E K Otieno
Company Secretary
26 August 2010