



MUMIAS SUGAR COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
30 JUNE 2011

Abridged and Published in accordance with article 155 of the Company's Articles of Association

Chairman's Abridged Commentary

Financial Results

The financial results for the year ended 30 June 2011 are encouraging in view of the trading environment in the year. The company made a Profit Before Tax of Shs 2,647 million. This is an increase of 21% in over last year's Profit Before Tax of Shs 2,180 million.

Earnings Per Share (EPS) is Shs 1.26 (2010 - Shs 1.03) which is Shs 0.23 per share (22%) higher than last year.

A first and final dividend of 25% per ordinary share of Shs 2.00 each which is Shs 0.50 per share has been proposed. This is an increase of 25% from the previous year's dividend of Shs 0.40 per share. The Final Proposed Dividend is accounted for as part of equity until it has been ratified at the Annual General Meeting (AGM) scheduled to be held on 2 December 2011.

Operations

The company processed 2,245,281 (2010 - 2,318,080) tonnes of sugar cane, which is 3 % lower than the last financial year. This is due to a slight decline in cane availability this year arising from intermittent dry spells experienced in 2009 which affected our crop coupled with increased cane poaching in our zone.

The company is setting up additional cane buying centres in its cane zone to enable easier sugar cane collection from the fields, minimize in-transit losses, reduce poaching of cane by competitors and improve farmers' earnings from reduced transport costs.

In the period, the company produced 235,812 (2010 – 235,792) tonnes of sugar, which is slightly above the level of production in the last financial year. The factory efficiency was higher and hence more sugar was recovered despite the slight decline in the cane available for crushing in comparison to the last financial year.

Gross turnover is Shs 18,813 million (2010 - Shs 18,798 million) which is slightly above the level achieved last year. The company exported 15,000 tonnes of sugar to the European market in the year.

The sale of power from the cogeneration generated a net revenue of Shs 353 million (2010 – Shs 320 million). This is an increase of 10%. This is attributed to efforts undertaken to balance the energy requirements of the sugar and cogeneration plants to avail more power for export to the national grid.

The company through the Board of Directors will continually review the various business strategies in place to ensure sustained business profitability and growth.

John V. Bosse

Chairman

8 November 2011

Managing Director's Abridged Report

The global economy expanded more robustly in 2010 and real GDP expanded 4.6% against a contraction of 1% in 2009. Emerging economies saw more conspicuous growth and continue to prove themselves as key players in the global economic arena.

The Kenyan economy expanded at a rate of 5.6% in 2010 against a 2.6% in 2009. Sufficient rains kept a ceiling on food prices in the major part of 2010. Interest rates were brought lower and this boosted the performance of the economy. However, these impressive trends may not be witnessed in the year 2011 with the Central Bank raising the interest rates in a bid to arrest the runaway inflation and depreciation of the Kenya Shilling against major world currencies.

Agriculture saw 6.3% real growth versus a contraction of 2.6% in 2009 supported by favourable weather and increase in area under irrigation while manufacturing grew 4.4% versus a marginal growth of 1.3% in 2009. Other sectors also performed well; electricity and water supply registered significant growth at 9.9% while mining and quarrying and financial intermediation registered 9.8 % and 8.8% respectively.

Inflation has been consistently rising for the major part of the year. This has been driven mainly by rising fuel costs fuelled by political unrest in Northern Africa and the rising costs of basic food commodities and electricity and other cooking fuels.

The Nairobi Securities Exchange recovered by 30% in early 2010 and was the second best performer in Sub Saharan Africa after Uganda. The Kenya shilling weakened against all major world currencies but registered mixed performance against the East African currencies.

The budget for the fiscal year 2011/12 re-emphasized the expansionary fiscal program aimed at laying the foundation for robust economic growth. An impressive 56% of the development budget is earmarked for infrastructure which is expected to support economic growth in the medium term. This is expected to sustain the rising demand of goods and services.

Demand for sugar within the Kenyan market continued to rise year on year. Demand currently stands at approximately 800,000 Metric Tonnes (MT). The joint production of all the local millers of 550,000MT is not enough to meet the local sugar demand. The deficit is met by imports from COMESA and Non-COMESA countries. However, with the regional and global markets experiencing deficits it is unlikely that there will be sufficient imports to cover the local deficit. As a result, sugar prices are expected to remain high.

The current high prices mirror the international prices and the acute shortage of cane that has reduced the output and the situation is unlikely to improve soon. The most common reason cited for the current global supply

shortage is the weather problems in Mexico, Australia and, most importantly, in Brazil, the world's top producer.

The world market has a 15 million tonne sugar deficit putting pressure on the sugar prices in the international market which has been made worse by increased use of sugar for production of bio-fuels and increasing sugar demand in emerging economies. The situation is so bad right now that the International Sugar Organization announced that even with a good 2011/12 harvest, sugar stocks will not return to levels considered "healthy."

Future Outlook

The economic outlook for 2011 is fairly promising with GDP projected to grow between 3.5% and 4.5%. This will be lower than 2010 due to the yet to be contained inflation and depreciation of the Kenya Shilling. The twin factors raise the cost of production and lower business competitiveness and disposable incomes for households. The approaching general election under a new constitutional order also has the potential to divert resources from the productive sectors of the economy.

However, a combination of trends could contribute to ensure positive prospects in the short to medium term. The approval of the new constitution one year ago, continued investment in infrastructure and government policies targeting development in the private sector should all enhance Kenya's business environment and reinforce a dynamic private sector.

The deepening regional integration and the launch of the East African Community common market are creating a single trading and investment environment in which Kenyan firms will have access to a larger market.

Prudent monetary and fiscal policy is expected to tame the rising inflation and bring down the interest rates, creating a credible and stable macroeconomic environment. The government efforts to stem the depreciation of the Kenya shilling against major world currencies is expected to lower cost of production and enhance the competitiveness and profitability of local businesses.

The sugar subsector is expected to sustain its fair performance despite the general business operating environment facing supply chain and other challenges. The company continues to feel the effect of high input costs driven by inflation and shortage of cane available for crushing. However, the better selling prices prevailing in the local and regional markets are expected to sustain the performance of the company.

The company is keen on diversifying its product range and exploiting internal synergies to boost its growth. Ethanol distillation and water bottling projects are on course and are scheduled to begin commercial operations in the second half of the 2011/12 financial year.

The accompanying summary of the financial statements have been extracted from the audited financial statements of Mumias Sugar Company Limited for the year ended 30 June 2011, and are consistent, in all material respects, with those financial statements.

INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of Mumias Sugar Company Limited

The accompanying summary financial statements, which comprise the statement of financial position as at 30 June 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended are derived from the audited financial statements of Mumias Sugar Company Limited for the year ended 30 June 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 25 August 2011.

Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Kenyan Companies Act. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Mumias Sugar Company Limited.

Director's Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of a summary of the audited financial statements in accordance with Article 155 of the company's Articles of Association.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Mumias Sugar Company Limited for the year ended 30 June 2011, are consistent, in all material respects, with those financial statements and in accordance with Article 155 of the company's Articles of Association.

Deloitte & Touche

Certified Public Accountants (Kenya)

8 November 2011

Nairobi

MUMIAS SUGAR COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	2011 Shs'000	2010 Shs'000
Revenue	15,795,300	15,617,738
Fair value loss on biological assets	(6,445)	(50,137)
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Operating income	15,788,855	15,567,601
Cost of sales	(10,342,125)	(10,683,063)
	<hr/>	<hr/>
Gross profit	5,446,730	4,884,538
Other operating income	106,233	80,214
Marketing and distribution costs	(1,164,570)	(909,818)
Administrative expenses	(1,148,041)	(1,445,322)
Other operating expenses	(443,073)	(465,073)
Finance income	144,831	404,226
Finance costs	(295,535)	(368,891)
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Profit before taxation	2,646,575	2,179,874
Taxation charge	(713,350)	(607,491)
	<hr/>	<hr/>
Profit for the year	1,933,225	1,572,383
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OTHER COMPREHENSIVE INCOME		
Gain on revaluation of property, plant and equipment	3,078,472	-
Deferred taxation on revaluation of property, plant and equipment	(923,542)	-
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,088,155	1,572,383
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	Shs	Shs
Earnings per share - basic & diluted	1.26	1.03
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MUMIAS SUGAR COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
30 JUNE 2011

	2011 Shs'000	2010 Shs'000
ASSETS		
Non current assets		
Property, plant and equipment	16,415,740	11,585,953
Intangible assets	156,732	142,879
Non current receivables	92,385	98,393
	<hr/>	<hr/>
	16,664,857	11,827,225
	<hr/>	<hr/>
Current assets		
Inventories	1,191,114	955,078
Biological assets	210,615	179,375
Trade and other receivables	3,863,595	3,327,244
Taxation recoverable	250,109	401,301
Collateral deposit	314,524	286,709
Short term deposits	14,345	820,376
Quoted investments – At fair value through profit or loss	25,267	-
Cash and bank balances	642,090	525,751
	<hr/>	<hr/>
	6,511,659	6,495,834
	<hr/>	<hr/>
Non current assets held for sale	-	11,051
	<hr/>	<hr/>
	6,511,659	6,506,885
	<hr/>	<hr/>
Total assets	<u><u>23,176,516</u></u>	<u><u>18,334,110</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	3,060,000	3,060,000
Revaluation surplus	3,552,456	1,535,846
Retained earnings	7,863,551	6,404,006
	<hr/>	<hr/>
Shareholders' equity	14,476,007	10,999,852
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Non current liabilities		
Deferred income taxation liability	3,327,449	1,846,201
Provision for service gratuity	3,735	19,800
Deferred grant income	11,800	25,760
Long term borrowings	2,395,834	2,192,476
	<hr/>	<hr/>
	5,738,818	4,084,237
	<hr/>	<hr/>
Current liabilities		
Borrowings	610,028	337,304
Trade and other payables	2,024,399	2,567,492
Provision for service gratuity	10,482	6,474
Provision for staff leave pay	33,822	29,478
Unclaimed dividends	282,960	309,273
	<hr/>	<hr/>
	2,961,691	3,250,021
	<hr/>	<hr/>
Total equity and liabilities	<u><u>23,176,516</u></u>	<u><u>18,334,110</u></u>

MUMIAS SUGAR COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2011

	Share capital	Revaluation surplus	Retained earnings	Total
	Shs'000	Shs'000	Shs'000	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)	-
At 30 June 2010	<u>3,060,000</u>	<u>1,535,846</u>	<u>6,404,006</u>	<u>10,999,852</u>
At 1 July 2010	3,060,000	1,535,846	6,404,006	10,999,852
Total comprehensive income for the year	-	2,154,930	1,933,225	4,088,155
Final dividend declared - 2010	-	-	(612,000)	(612,000)
Transfer on disposal of equipment	-	(2,189)	2,189	-
Deferred taxation transferred on disposal of equipment	-	656	(656)	-
Transfer of excess depreciation	-	(195,411)	195,411	-
Deferred taxation on excess depreciation	-	58,624	(58,624)	-
At 30 June 2011	<u>3,060,000</u>	<u>3,552,456</u>	<u>7,863,551</u>	<u>14,476,007</u>

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

MUMIAS SUGAR COMPANY LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	2011 Shs'000	2010 Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	2,346,188	2,828,175
Interest paid	(181,585)	(212,966)
Interest received	144,831	404,226
Other finance charges paid	(4,800)	(9,848)
Taxation paid	(4,452)	(5,269)
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Net cash generated by operating activities	2,300,182	3,004,318
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CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,607,652)	(336,646)
Additions to intangible assets	(6,259)	(1,544)
Proceeds on disposal of non-current assets held for sale	1,532	15,501
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Net cash used in investing activities	(2,612,379)	(322,689)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(638,313)	(623,948)
Loans received	840,681	-
Loans repaid	(579,863)	(314,247)
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Net cash used in financing activities	(377,495)	(938,195)
	<hr/>	<hr/>
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(689,692)	1,743,434
CASH AND CASH EQUIVALENTS AT 1 JULY	1,346,127	(397,307)
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CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>656,435</u>	<u>1,346,127</u>

NOTE TO THE SUMMARY FINANCIAL STATEMENTS

BASIS OF PREPARATION

The audited financial statements of Mumias Sugar Company Limited for the year ended 30 June 2011, and from which these summary statements have been derived, were prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. In the preparation of these summary financial statements, the directors have extracted the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended as they had been presented in the audited financial statements. However, the accounting policies and other explanatory notes that form part of the audited financial statements have not been included in these summary financial statements.

NOTICE OF THE ANNUAL GENERAL MEETING (AGM) 2011

NOTICE IS HEREBY GIVEN that the 40th Annual General Meeting of the company will be held at Tom Mboya Labour College on Friday 2 December 2011 at 10.00 a.m. to conduct the following business:

1. To read the notice convening the meeting.
2. To confirm the minutes of the Thirty Ninth Annual General Meeting held on 3 December 2010
3. To receive, consider and, if approved, adopt the Financial Statements for the year ended 30 June 2011 together with the Directors' and Auditors' Reports thereon.
4. To declare and approve a final dividend of Shs 0.50 per share for the financial year ended 30th June 2011 payable to the shareholders on the Register of Members at close of business on Friday 4th November 2011.
5. To elect Directors:
 - (a) Mr. Joseph Kinyua, Mr. John Bosse, Mr. James Chege and Mr. Maurice Juma will retire by rotation in accordance with article 113 of the company's Articles of Association and being eligible, offer themselves for re-election.
6. To approve the Directors remuneration for the year ended 30th June 2011.
7. To note that the Auditors, Deloitte and Touche, being eligible, continue in office in accordance with section 159(2) of the Companies Act (cap 486) and to authorize the Directors to fix the Auditors' remuneration.
8. Any other business for which appropriate notice has been issued and received.

BY ORDER OF THE BOARD

E.K OTIENO

Company Secretary

8 November 2011

Notes:

1. Any member may by notice duly signed by him or her and delivered to the Secretary, not less than 3 and not more than 21 days before the date appointed for the Annual General Meeting, give notice of his intention to propose any person for election as director to the Board, such notice is to be accompanied by a notice signed by the person proposed indicating his or her willingness to be elected.
2. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the company. A form of proxy may be obtained from the Company's website or from the Company's share registrars. To be valid, a proxy must be duly completed and signed by the member and must either be lodged at the offices of the company's share registrars, Image Registrars and Certified Public Secretaries, 8th Floor, Transnational Plaza, Mama Ngina Street, P.O. Box 9287, Postal Code 00200 G.P.O NAIROBI

or lodged at the Company's registered office at Mumias not later than 11.00 a.m on Monday 28th November 2011.

3. In accordance with Article 155 of the Company's Articles of Association, a copy of the entire Annual Report and Accounts, a copy of this notice and proxy form may be viewed on and obtained from the Company's web site at www.mumias-sugar.com. An abridged version of the Balance Sheet (Statement of Financial Position), Income Statement (Statement of Comprehensive Income), Statement of Change in Equity and Cash flow Statement (Statement of Cash Flows) for the year ended 30th June 2011 have been published in two daily newspapers with nationwide circulation.