MUMIAS SUGAR

MUMIAS SUGAR COMPANY LIMITED

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2011

MUMIAS SUGAR

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The Directors are pleased to announce the audited financial results for the year ended 30 June 2011.

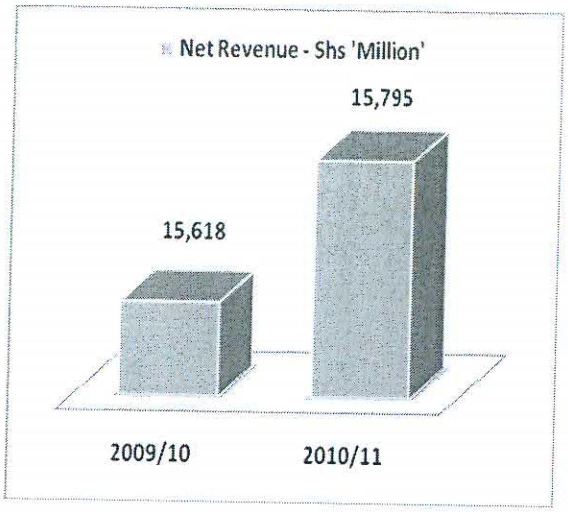
CONDENSED STATEMENT OF COMPREHENSIVE INCOME

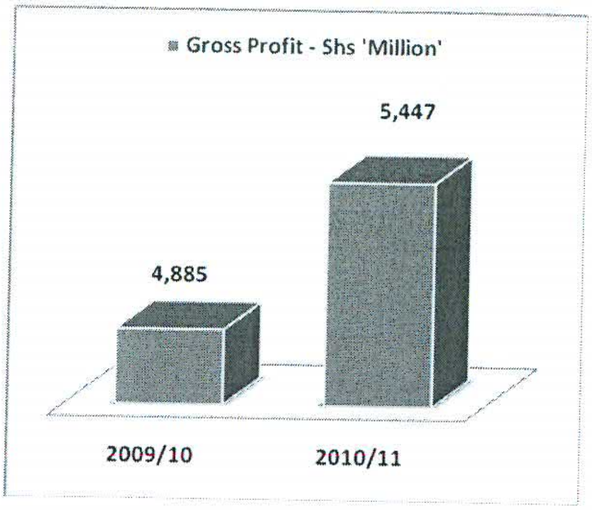
	Year ended 30 June 2011	Year ended 30 June 2010
	Shs'000	Shs'000
Gross Revenue	18,812,871	18,797,765
Less: Taxes and Levies		
Value Added Tax	(2,448,482)	(2,574,669)
Sugar Development Levy	(569,089)	(605,358)
Net Revenue	15,795,300	15,617,738
Gross Profit	5,446,730	4,884,538
Profit before Taxation	2,646,575	2,179,874
Taxation Charge	(713,350)	(607,491)
Profit for the Year	1,933,225	1,572,383
Other Comprehensive Income		
Gain on Revaluation of Assets	3,078,472	-
Deferred Tax on Revaluation	(923,542)	-
Total Comprehensive Income for the Year	4,088,155	1,572,383
	Shs	Shs
Earnings per Share	1.26	1.03
Dividends proposed/paid	0.50	0.40

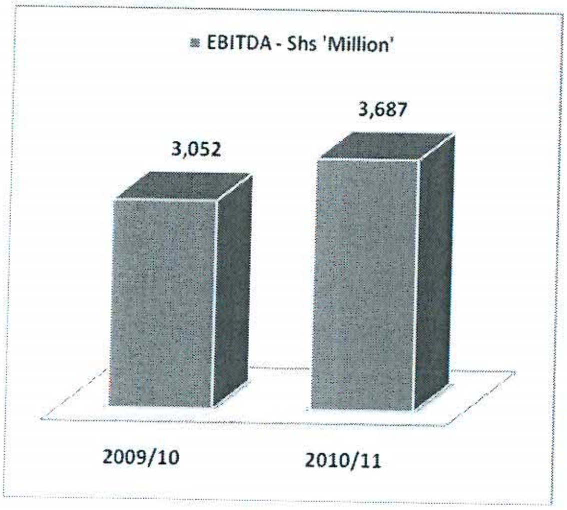
FINANCIAL PERFORMANCE HIGHLIGHTS

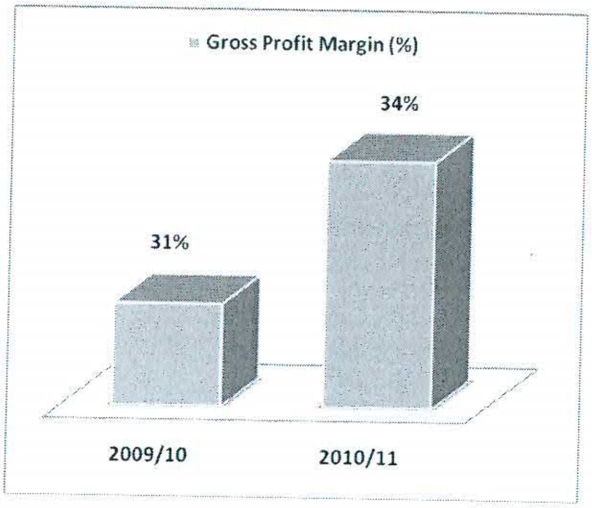
In comparison to the previous year 2009/10;

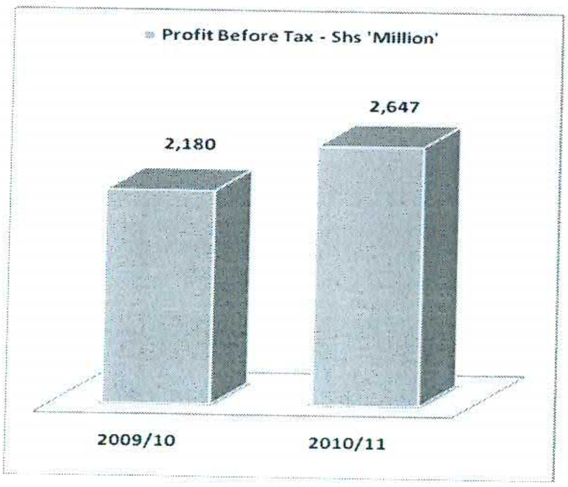
Net Revenue	↑ 1%	Profit Before Tax	↑ 21%	Earnings Per Share (EPS)	↑ 22%
Gross Profit	↑ 12%	Gross Profit Margin	↑ 3%	Net Profit Margin	↑ 2%

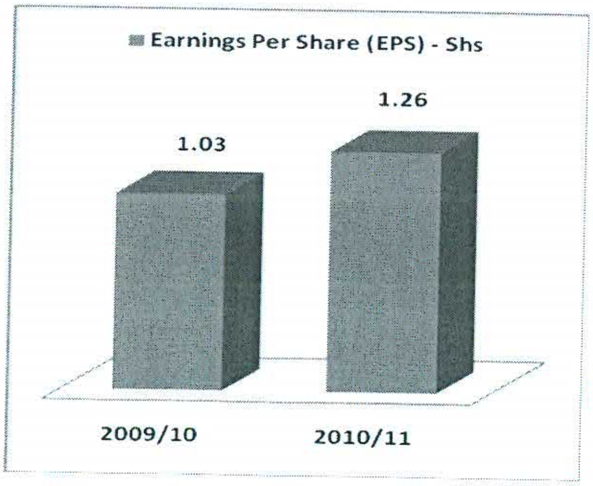

Net Revenue - Shs 'Million'
15,618
15,795
2009/10
2010/11


Gross Profit - Shs 'Million'
4,885
5,447
2009/10
2010/11


EBITDA - Shs 'Million'
3,052
3,687
2009/10
2010/11


Gross Profit Margin (%)
31%
34%
2009/10
2010/11


Profit Before Tax - Shs 'Million'
2,180
2,647
2009/10
2010/11


Earnings Per Share (EPS) - Shs
1.03
1.26
2009/10
2010/11

MUMIAS SUGAR

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CONDENSED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

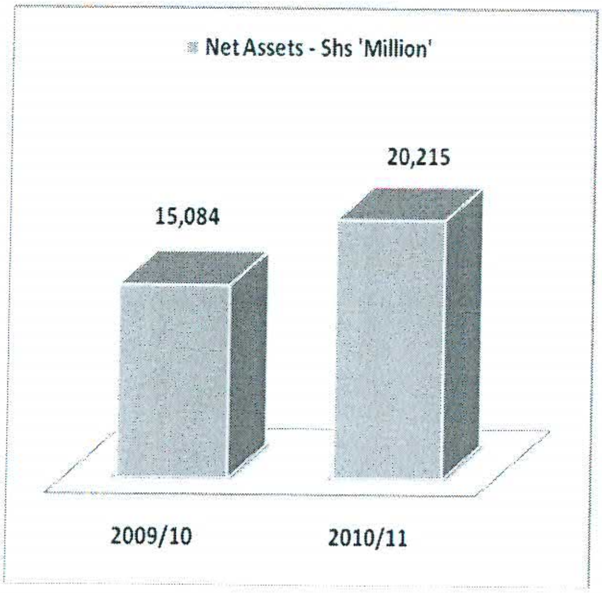
	30 June 2011 Shs'000	30 June 2010 Shs'000
ASSETS		
Non current assets		
Property, plant and equipment	16,415,740	11,585,953
Non-current receivables and intangible assets	249,117	241,272
	16,664,857	11,827,225
Current assets	6,511,659	6,495,834
Non-current assets held for sale	-	11,051
TOTAL ASSETS	23,176,516	18,334,110
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	3,060,000	3,060,000
Revaluation surplus	3,552,456	1,535,846
Retained Earnings	7,863,551	6,404,006
	14,476,007	10,999,852
Non current liabilities		
Long Term Borrowings	2,395,834	2,192,476
Deferred income tax liability	3,327,449	1,846,201
Other Long Term Liabilities	15,535	45,560
	5,738,818	4,084,237
Current liabilities	2,961,691	3,250,021
TOTAL EQUITY AND LIABILITIES	23,176,516	18,334,110

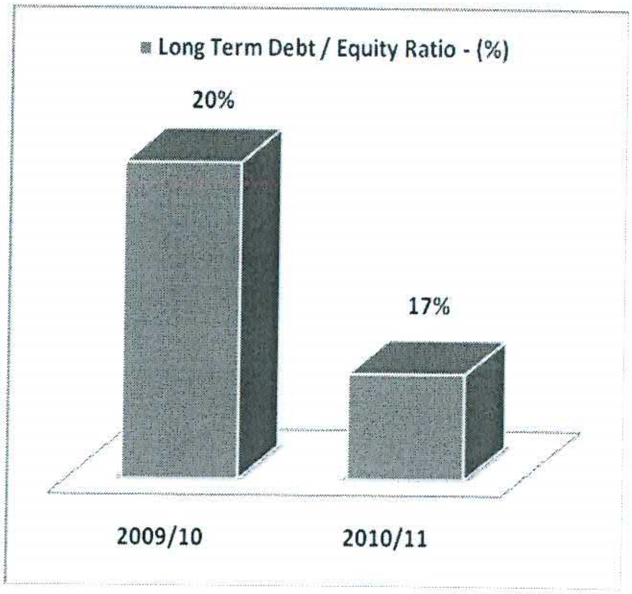
MUMIAS SUGAR

FINANCIAL POSITION HIGHLIGHTS

In comparison to the previous year 2009/10;

Net Assets	↑	34%
Long Term Debt to Equity ratio	↓	3%





CONDENSED STATEMENT OF CASH FLOWS

FOR YEAR ENDED 30 JUNE 2011

	Year ended 30 June 2011 Shs'000	Year ended 30 June 2010 Shs'000
Balance at 1 July	1,346,127	(397,307)
Net cash generated from operating activities	2,300,182	3,004,318
Net cash used in investing activities	(2,612,379)	(322,689)
Net cash used in financing activities	(377,495)	(938,195)
(Decrease)/Increase in cash and cash equivalents	(689,692)	1,743,434
Balance at 30 June	656,435	1,346,127

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2011

	Share Capital Shs '000	Revaluation Surplus Shs '000	Retained earnings Shs '000	Total Shs '000
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	3,060,000	3,552,456	7,863,551	14,476,007

The increase in the revaluation surplus is primarily due to the net revaluation surplus arising out of the revaluation of property, plant and equipment as at 30 June 2011. The revaluation surplus is non – distributable.

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.

OPERATIONS

The company processed 2,245,281 tonnes (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 in the current 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 its competitors and improve farmers' earnings through reduced transport costs.

In the current period, the company produced 235,812 tonnes (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 this enabled more sugar to be recovered despite the slight decline in the cane available for crushing in comparison to the last financial year.

REVENUE

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 (2010 – nil) of sugar to the European market in the year.

The sale of power from the cogeneration plant generated a net revenue of Shs 353 million (2010 – Shs 320 million) representing 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.

CONTRIBUTION TO GOVERNMENT REVENUE

The company is classified as one of the top 25 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 2.8 billion (2010 - Shs 3.1 billion) in VAT, SDL and other taxes.

PROFIT AFTER TAX AND EARNINGS PER SHARE (EPS)

Profit After Tax (PAT) of Shs 1,933 million (2010- Shs 1,572 million) was realized which is 23% higher than last year. Earnings Per Share (EPS) is Shs 1.26 (2010 - Shs 1.03) which is Shs 0.23 per share (22%) higher than last year.

DIVIDENDS

The Directors propose a first and final dividend of 25% per ordinary share of Shs 2.00 each which is Shs 0.50 per share. The register of members will close at 4:30 pm on 4 November 2011. Final dividend will be paid to shareholders on the register as at the close of business on 4 November 2011. The Final Proposed Dividend is not 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.

STATUTORY AUDIT

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

OUTLOOK

Sugar Industry

The world sugar prices are currently in region of USD 700 – USD 800 per tonne attributed to supply constraints that have persistent in the major sugar producing countries for the last three years. The relatively high global prices are likely to be sustained in the coming year. However, according to forecasts, global sugar prices are expected to start declining slightly in the medium term to around USD 700 – USD 730 by March 2012.

The region is experiencing even higher sugar prices attributed to production /consumption deficit. There are expectations of relatively high sugar prices in the medium term driven by increased demand with the supply from local millers not being able to meet the requirement.

In Kenya, the expiry of the COMESA safeguard measures in 2012 is expected to attract some sugar imports from the low cost producers in the COMESA region. However, the impact will depend on the availability of surplus sugar in the COMESA member states and a decline in global prices since most of the regional surplus stocks are released to the better paying markets in other parts of the world.

The company's product diversification strategies combined with cost reduction initiatives are expected to shield the company from any competitive pressure from low cost sugar from the COMESA member states in the medium and long term.

There are several new sugar factories being established and other sugar factory licence applications are in the pipeline. This has put a constraint on the availability of adequate supply of cane due to the close proximity of the factories. This will result in challenges to operate at full capacity.

The company is also increasing the quantities and ranges of its pre packed sugar and value addition through sugar fortification to improve nutrition.

Ethanol distillery

Construction of the ethanol distillery is in progress and is expected to be commissioned by 31 December 2011. The distillery will have the capacity to produce 22 million litres annually. The project is undergoing registration by the United Nations Framework Convention on Climate Change as a Clean Development Mechanism (CDM) Project.

Co-generation

The co-generation plant for electricity performed below expectation due to challenges of availing constant flow of bagasse (a by-product of sugar cane processing which is used as fuel) from the sugar plant. The completed refurbishment of the major sugar plant boiler is expected to raise its efficiency enabling it to avail more bagasse to the co-generation plant. The company continues to undertake energy conservation measures for efficiency.

Water Bottling Plant

The water bottling plant is under construction and is expected to be commissioned by 30 September 2011. This will provide another revenue stream as part of product diversification.

Future outlook

Product diversification will be a key growth driver and other opportunities are being explored. Acquisitions and Greenfield operations are being reviewed and will be implemented where viable to add to shareholder value.

The company has a long term credit rating of A+ and short term credit rating of A1 by Global Credit Rating (GCR) Co. This underscores the capacity of the company to raise funds for its planned major expansions through acquisitions and Greenfield operations.

The Board of Directors will continually review the various business strategies in place to ensure sustained business profitability and growth. The Board is cautiously optimistic of a satisfactory performance in the coming financial year.

BY ORDER OF THE BOARD

E K Otieno
Company Secretary
25 August 2011