MUMIAS SUGAR COMPANY LIMITED

FINANCIAL STATEMENTS
30th June 2001

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

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CORPORATE INFORMATION

SHAREHOLDING

	Number of shares (000s)	Percentages
Government of the Republic of Kenya	36,090	70.76
CDC Group plc	8,760	17.18
Kenya Commercial Finance Company Limited	2,550	5.00
Booker Tate (Overseas) Limited	2,250	4.41
East African Development Bank	1,350	2.65
	51,000	**100.00**

DIRECTORS

Mr. M. K. Sang	-	Chairman
Mr. J. K. Kiarie	-	(Alternate Mr. J. G. Chege)
Mr. M. Mwachofi	-	(Alternate Mrs. E. Koimett)
Prof. S. E. Migot-Adholla	-	(Alternate Mr. A. M. Gakere)
Hon. S. A. Wako	-	(Alternate Mr. D. K. Ameyo)
Mr. K. Gatabaki		
Mr. B. Yates		
Mr. F. M. Chahonyo		

COMPANY SECRETARY

Mr. M. J. R. Guto

REGISTERED OFFICE

Mumias Sugar Company Limited
Private Bag, Mumias, Kenya.

MANAGING AGENTS

Booker Tate Limited

ADVOCATES

E. K. Owinyi & Company
Hamilton Harrison & Mathews
Kaplan & Stratton

AUDITORS

Deloitte & Touche
P.O.Box 40092
Nairobi.

BANKERS

Barclays Bank of Kenya Limited
Kenya Commercial Bank Limited
The Cooperative Bank of Kenya Limited

CHAIRMAN'S REPORT FOR THE YEAR 2000/2001

Mr. Michael K. arap Sang
CHAIRMAN

I have pleasure in reporting on Mumias Sugar Company for the year ended 30 June 2001.

Operations: This has been a good year. Performance and results have only been better in 1999/2000 when operating conditions were exceptionally favourable. Mumias made 216,539 tonnes of sugar from 1,988,663 tonnes of cane, a tonnes cane/tonne sugar ratio of 9.18. Cane volume processed through the diffuser continues to meet and sometimes exceed the capacity envisaged at the time of its commissioning in 1997. The limiting factor on factory throughput was tonnage of cane delivered; that continued to be below the long term targets due to the effects of two years of drought.

MSC's objective is to maximise the tonnage of sugarcane delivered to the diffuser and to maximise the extraction of sugar from that cane, at the lowest possible operating cost. Costs per tonne of product have been reduced, thanks to tight budgetary control including a significant reduction in overtime. There has also been a reduction in numbers employed (down from peak of 4836 in 1997 to 3240 at June 2001) by implementation of a voluntary early retirement scheme. Further reductions in employee numbers are planned for next year as we continue our campaign to increase productivity and reduce production costs.

On the marketing and sales side, our new two kilogramme retail packs have been selling well. This has prompted the Company to invest further in packaging facilities and develop a one kilogramme pack that will be launched early in the financial year 2001/02. Our marketing department has also identified a demand for "brown sugar" and this represents a potential extension to our branded product range.

Financial Performance: Turnover, at Kshs. 6.7 billion, was the best in the Company's history, apart from 1999/2000. Operating profit was Kshs. 1,132 million - not as good as the exceptional 1999/2000 year but better than any other year in the Company's history. This is a considerable achievement in a difficult year when the cane supply was reduced through drought and sales revenues suffered from market instability, due to uncertainty about price trends caused by Kenya signing up to the Free Trade Area of COMESA and the subsequent supply of low priced imported sugar.

Cash from operations was significantly down on previous years. In large part this was due to the difficult marketing and sales environment. At the year-end, the Company had 47,850 tonnes sugar in stock, the highest volume ever held at the year-end date. The cash from operations was also reduced because Kshs441 million was paid in restructuring costs.

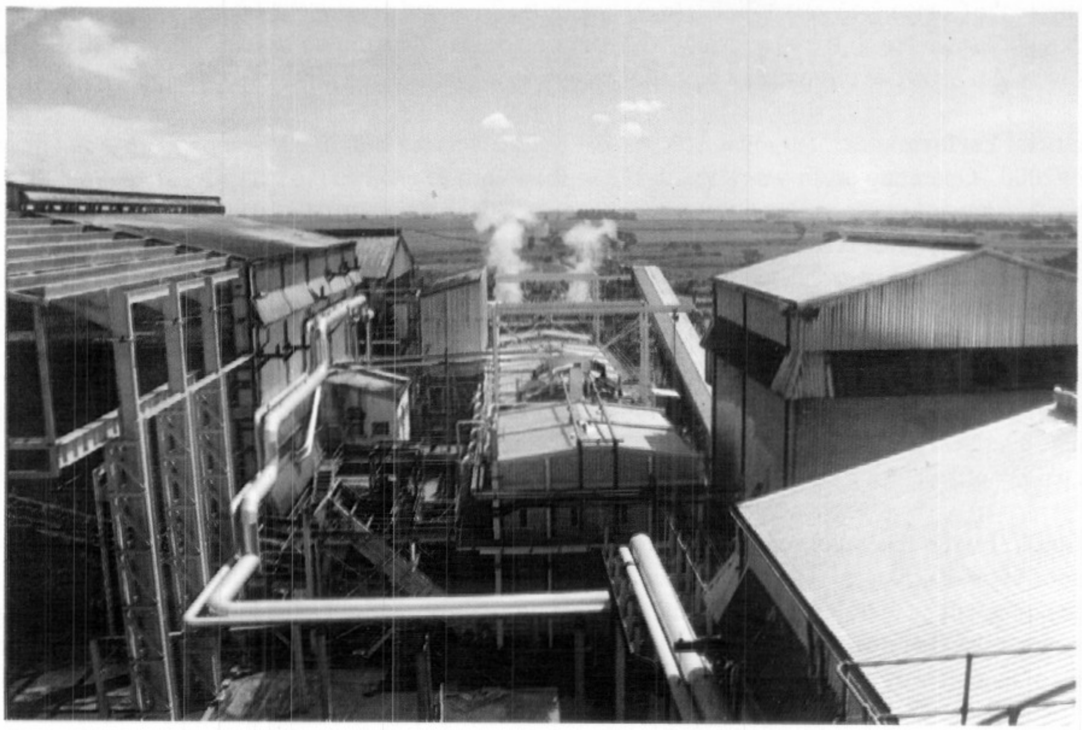
Outlook: I write this report only a few weeks after Mumias was successfully privatised and listed on the Nairobi Stock Exchange. Privately owned, Mumias will have to face many changes and one of the most challenging will be to re-focus staff attitudes so that profitability and shareholder value are given even more importance than before. The process of change has started and will affect the Company at all levels - from the Board of Directors downwards.

The other challenge that Mumias is facing is to adapt to a new sugar marketing regime brought about by the availability of low priced imported sugar. Kenya is a net importer of sugar but the national producers used to be afforded tariff protection to ensure that prices remained stable and a reasonable return was earned on capital invested. In respect of COMESA sugar this protection has now been removed and the sugar industry in Kenya is exposed to cheap imports. Other states in the Community produce more sugar than their national requirements and it is this surplus that is exported, often onto the world market where prices are sometimes below production costs. Increasingly this sugar is coming to Kenya. Low priced imported sugar will continue to be available for as long as the price offered by Kenyan importers is significantly higher than the world market price.

It is up to the whole of the sugar industry to lobby for the introduction of measures that will stabilise the market and ensure that sugar is not dumped into Kenya at a price below those prevailing in the domestic market of the country of origin. Prices that do not truly reflect production costs and other forms of unfair competition can jeopardize our business and the livelihoods of employees and all those in Kenya who depend on income from the industry.

Thanks to stakeholders: I would like to place on record the thanks of my Board of Directors to MOCO, the farmers of the Mumias Zone and all the employees of Mumias Sugar who have made these results possible.

Chairman
Mumias Sugar Co. Ltd.
7th December 2001.



REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30TH JUNE 2001

The directors present their report together with the audited financial statements of the company for the year ended 30th June 2001.

PRINCIPAL ACTIVITIES

The principal activities of the company remain those of manufacturing and selling of sugar as well as providing support to sugar cane out-growers.

RESULTS

	Shs '000
Profit before taxation	685,221
Taxation	202,421
Profit for the year carried to retained earnings	482,800

DIVIDENDS

The directors propose the payment of a first and final dividend of Shs. 362,100,000 (2000 - interim Shs. 204,000,000; final Shs. 226,311,000) in respect of the year.

PRODUCTION

The following are the comparative statistics of sugar production and cane crushed for the last five years.

	Sugar production (tonnes)	Cane crushed (tonnes)
2001	217,834	1,988,285
2000	267,057	2,283,434
1999	230,708	2,047,000
1998	219,731	2,179,000
1997	191,167	1,825,000

NUCLEUS ESTATE

The company's nucleus estate, measuring approximately 3,000 hectares, provides an average of only about 8% of the total cane crushed annually. Out-growers provide the bulk of the cane crushed.

DIRECTORS

The present board of directors is shown on page 2.

Mr. M. Mwachofi joined the board on 28 March 2001 following his appointment as the Permanent Secretary in the Ministry of Finance in place of Mr. M. L. Oduor-Otieno, Mr. J. K. Kiarie joined the board on 26 May 2001 in place of Mr. P. C. Nyakiamo.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with Section 159 (2) of the Companies Act.

BY ORDER OF THE BOARD

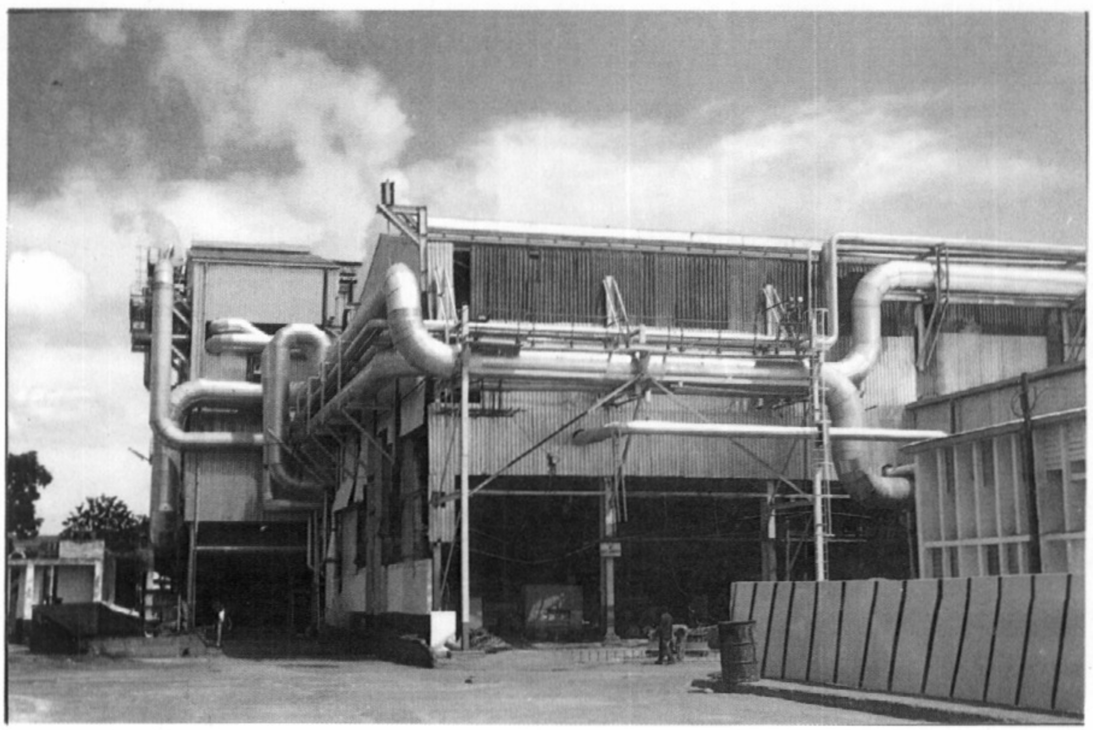
Secretary
7th September 2001.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requries the directors to prepare financial statements for each financial year which give a true and fair view of the state of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

* Select suitable accounting policies and then apply them consistently.
* Make judgements and estimates that are reasonable and prudent
* State whether applicable accounting standards have been followed
* Prepare the financial statements on the going concern basis unless it is inapropriate that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Deloitte & Touche

Certified Public Accountants (Kenya)

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P. O. Box 40092
Nairobi, Kenya
Telephone: 254-2-441344/05-12
Facsimile: 254-2-448966
Dropping Zone Box No. 92
E-mail: admin@dtti.co.ke

REPORT OF THE AUDITORS
TO THE MEMBERS OF MUMIAS SUGAR COMPANY LIMITED

We have audited the financial statements on pages 9 to 29 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsiblities of directors and auditors

As described on page 7, the directors are responsible for the preparation of the financial statements. Our responsiblity is to express an opinion on those financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 30 June 2001 and of its profit and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

Deloitte & Touche

7th September 2001.

Deloitte Touche Tohmatsu

Partners:
D.M. Ndonye V.M. Allen* H. Gadhoke*
N.R. Hira S.O. Onyango J.W. Wangai
British*

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2001

	Note	2001 Shs'000	2000 (Restated) Shs'000
SALES	2	6,659,315	9,905,072
COST OF SALES		(4,289,844)	(6,515,810)
GROSS PROFIT		2,369,471	3,389,262
OTHER OPERATING INCOME		117,798	63,498
MARKETING AND DISTRIBUTION COSTS		(269,006)	(314,258)
ADMINISTRATIVE EXPENSES		(781,441)	(954,283)
OTHER OPERATING EXPENSES		(305,148)	(596,545)
OPERATING PROFIT	3	1,131,674	1,587,674
FINANCE COSTS (NET)	5	(4,774)	(212,135)
RESTRUCTURING COSTS	6	(441,679)	(441,271)
PROFIT BEFORE TAXATION		685,221	934,268
TAXATION	7	(202,421)	(304,054)
PROFIT FOR THE YEAR		482,800	630,214
EARNINGS PER SHARE	8	Shs. 9.47	Shs. 12.36

BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2001

	Note	2001 Shs'000	2000 (Restated) Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	9	6,437,891	5,690,682
Intangible assets	10	6,883	14,054
Non-current receivables	11	76,918	43,685
Trade investment	12	1	1
		6,521,693	5,748,422
Current assets			
Inventories and other assets held for sale	13	2,756,451	1,395,727
Trade and other receivables	14	930,811	933,501
Taxation recoverable		-	48,437
Cash and bank balances		6,181	106,169
		3,693,443	2,483,834
		10,215,136	8,232,256
Total assets			
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	1,020,000	1,020,000
Revaluation reserve		2,869,056	2,046,912
Retained earnings		1,102,939	927,792
Dividend proposed (gross)	21	362,100	226,311
		5,354,095	4,221,015
Non current liabilities			
Loans	16	224,650	441,685
Deffered income taxes	17	1,409,560	1,006,146
Retirement benefit obligations	18	487,453	568,539
		2,121,663	2,016,370
Current liablities			
Trade and other payables	19	1,486,292	1,312,244
Loans payable within one year	16	246,876	299,258
Bank overdrafts (secured)	20	807,488	90,666
Dividend payable (gross)	21	-	204,000
Provision for staff leave pay	22	96,683	88,703
Taxation payable		100,039	-
		2,739,378	1,994,871
Total equity and liabilities		**10,215,136**	**8,232,256**

The financial statements on pages 9 to 29 were approved by the board of directors on 7th September 2001 and were signed on its behalf by:

MR. M. K. SANG } **Directors**
MRS. E. KOIMETT }

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2001

	Share capital Shs'000	Revaluation reserve Shs'000	Retained earnings Shs.'000	Dividends Shs'000	Total Shs'000
At 30 June 1999 - As previously reported	1,020,000	2,139,016	579,643	102,000	3,840,659
Prior year adjustment: Deffered taxation (see note below)	-	(15,465)	60,518	-	45,053
As restated	**1,020,000**	**2 ,123,551**	**640,161**	**102,000**	**3,885,712**
Profit for the year	-	-	630,214	-	630,214
2000 interim dividend declared	-	-	(204,000)	-	(204,000)
2000 proposed dividend final	-	-	(226,311)	226,311	-
1999 dividend paid	-	-	-	(102,000)	(102,000)
Revaluation surplus realised on disposal of revalued plant and equipment	-	(36,032)	35,962	-	(70)
Transfer of excess depreciation	-	(51,766)	51,766	-	-
Impairment loss on plant and equipment	-	(6,344)	-	-	(6,344)
Deferred taxation-note 7 (c)	-	17,503	-	-	17,503
At 30 June 2000-as restated	1,020,000	2,046,912	927,792	226,311	4,221,015
Profit for the year	-	-	482,800	-	482,800
2000 final dividend-paid	-	-	-	(226,311)	(226,311)
2001 dividend proposed-final	-	-	(362,100)	362,100	-
Revaluation surplus on revaluation of property, plant and equipment	-	1,228,938	-	-	1,228,938
Evaluation surplus realised on disposal of revalued plant and equipment.	-	(841)	841	-	-
Transfer of excess depreciation	-	(53,606)	53,606	-	-
Deferred taxation - note 7 (c)	-	(352,347)	-	-	(352,347)
At 30 June 2001	1,020,000	2,869,056	1,102,939	3 62,100	5,354,695

Note:

The prior year adjustment relates to provision for deferred tax on staff leave pay, service gratuity, tax losses and revaluation reserve which had not been provided for in the past.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2001

	Note	2001 Shs'000	2000 Shs'000
OPERATING ACTIVITIES			
Cash generated from operations	23(a)	192,716	1,655,837
Interest paid on overdrafts		(49,127)	(61,474)
Interest received		154,710	93,372
Taxation paid		(2,878)	(4,569)
Service gratuity paid		(111,265)	(80,143)
Staff leave paid		(73,922)	(18,005)
Net cash from operating activities		110,234	1,585,018
Purchase of plant and equipment		(160,240)	(104,307)
Purchase of intangible assets		(1,228)	(11,137)
Proceeds from disposal of plant and equipment		40,079	22,749
Net cash used in investing activities		(121,389)	(92,695)
FINANCIAL ACTIVITIES			
Loans received	23(b)	30,000	-
Loans repaid	23(b)	(296,466)	(530,876)
Interest paid on loans		(108,878)	(210,925)
Dividend paid		(430,311)	(306,000)
Net cash used in financing activities		(805,655)	(1,047,801)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(816,810)	444,522
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Balance at begining of the year		15,503	(429,019)
(Decrease)/increase in cash and cash equivalents		(816,810)	444,522
Balance at end of the year	23(c)	(801,307)	15,503

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with International Accounting Standards (IAS). The financial statements are prepared under the historical cost basis of acounting as modified to include the revaluation of certain property, plant and equipment.

REVENUE RECOGNITION

Sales of sugar and molasses are recognised upon delivery or collection of product by customers during the year and are stated net of value added tax, sugar development levy and discounts. Sugar development levy does not apply to molasses sales.

Other income earned by the company is recognised as it accrues.

TAXATION

Current taxation is provided on the basis of the the resuls for the year as shown in the financial statements adjusted in accordance with the tax legislation.

Deferred income tax is provided, using the liability method, for all temporary 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 income tax.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or at professionally revalued amounts less accummulated depreciation.

Increases in the carrying amount arising on revaluation are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement.

Depreciation is calculated on the straight-line method to write off the cost or the revalued amount on each asset to their estimated residual values over their estimated useful lives. The annual rates generally in use are:

Land development	2 1/2%
Buildings	2 1/2% - 5%
Factory plant and machinery	5% - 10%
Heavy mobile agricultural machinery	12 1/2% - 25%
Motor vehicles	20%
Other equipment and fixtures	12 1/2% - 33 1/3%

Depreciation on mill rollers is taken as the higher of the total cane tonnage milled in the year multiplied by a factor of 1.25 and straight line depreciaion over ten years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued)

The annual depreciation on the revaluation surplus element of property, plant and equipment is transferred from revaluation to retained earnings.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained earnings.

The carrying values of property, plant and equipment are reviewed annually and adjusted for impairment where it is considered necessary.

INTANGIBLE ASSETS

Intangible assets comprise the cost of acquired computer software programmes. Expenditure on acquired computer software programmes is capitalised and amortised using the straight-line method over their estimated useful lives generally not exceeding three years. The carrying amount of intangible assets is reviewed annually and adjusted for impairment where it is considered necessary. Intangible assets are not revalued.

TRADE INVESTMENT

Trade investment is stated at cost less provision where, in the opinion of the directors, there is a permanent diminution in value. Such diminution is charged to the income statement in the year in which it is identified.

INVENTORIES

Finished sugar and molasses stocks are stated at the lower of production cost and net realised value. Production cost comprises expenditure directly incurred in the manufacturing process and an allocation of normal production overheads attributable to the process.

Sugar in process is stated at half the production cost of finished sugar.

Spares, fertilisers, chemicals and other consumable stores are stated at cost. Cost is calculated on a weighted average basis and includes the direct purchase cost, insurance, freight and other incidental costs.

Growing cane is valued at the direct average cost of growing cane at the balance sheet date. Direct average cost represents all costs incurred in establishing and maintaining growing cane.

TRADE RECEIVABLES

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement in the year in which they arise.

RETIREMENT BENEFIT OBLIGATIONS

Defined benefit scheme

The company operates a defined retirement benefit pension scheme for eligible non-unionisable employees. The assets of the scheme are held and administered independently of the company's assets. The scheme is funded by contributions from both the company and the employees. The company's contributions to the scheme are charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the scheme every three years. The last actuarial valuation was carried out on 1 July 2001. All actuarial gains and losses are spread forward over the average remaining service lives of employees.

Defined contribution scheme

The company contributes to the statutory National Social Security Fund. This is a defined contribution for which the company's obligation is limited to a specified contribution per employee per month. Currently, the contribution is limited to a maximim of Sh 80 per employee per month. The company's contributions are charged to the income statement in the year to which they relate.

Service gratuity

Unionisable employees who resign or whose services are terminated after five years of continous service with the company are entitled to twelve days gratuity payment for each completed year of service. Unionisable employees whose termination of service is occassioned by retirement, medical grounds or death are entitled to twentyfour days gratuity payment for each year of service.

Gratuity payments are based on the employee's salary at the time of resignation or termination of service, as provided for in the trade union agreement with the company. An employee who is dismissed or terminated for gross misconduct is not entitled to gratuity.

The service gratuity is provided for in the accounts as it accrues to each employee.

PROVISION FOR SAFE LEAVE PAY

A provision is made to recognise staff entitlements in respect of annual leave not taken as at the end of the financial year.

		2001 Shs'000	2000 Shs'000
2.	**SALES**		
	Gross sales	8,311,329	12,098,260
	Less: taxes and discounts		
	Value added tax	1,184,421	1,491,200
	Sugar development levy	455,819	687,281
	Sales discounts	11,774	14,707
		1,652,014	2,193,188
	Net sales	**6,659,315**	9,905,072

3. OPERATING PROFIT

Operating profit is arrived at:

after charging:

		2001 Shs'000	2000 Shs'000
Staff costs (note 4)		1,248,711	1,300,705
Subsidy to out-growers		375,456	237,228
Depreciation of property, plant and equipment (note 9)		387,262	373,137
Amortisation of intangible assets (note 10)		8,399	9,137
Assets impairment loss	-equipment held for sale (note 13)	5,000	11,125
	-intangible assets (note 10)	-	11,001
Management fees	-fixed	48,988	49,764
	-performance related	28,696	44,961
Director's emoluments	-fees	350	350
	-other	4,356	3,370
Auditor's remuneration		2,750	2,500
Deficit on revaluation of property, plant and equipment		26,684	-
PAYE and VAT penalties		12,781	42,507
Provision for bad debts		24,824	22,123
Loan rescheduling fee		-	7,823

and after crediting:

	2001 Shs'000	2000 Shs'000
Profit on disposal of plant and equipment	22,137	10,386
Stock obsolescence/adjustments	21,455	3,398
Insurance compensation on boiler repairs	-	92,258

	2001 Shs'000	2000 Shs'000
4. STAFF COSTS		
Salaries and allowances		
- Management staff	236,343	159,734
- Supervisory and clerical	309,962	269,904
- Manual grade	481,347	607,500
- Casual labour	45,377	54,389
Termination benefits	14,367	19,775
Pension - defined benefit scheme	40,439	69,772
- statutory defined contribution scheme	3,302	4,147
Pension adminstration fee	3,493	4,370
Provision for gratuity	30,179	53,192
Provision for leave pay	83,902	57,922
	1,248,711	1,300,705

The average number of employees during the year comprised:

	Number	Number
Permanent	3,240	3,920
Registered seasonal employees	14,389	12,579
	17,629	16,499

The usage of registered seasonal employees varies depending on the cane cutting requirements. The average actual usage is approximately 50% of those registered.

		2001 Shs'000	2000 Shs'000
5.	**FINANCE COSTS (NET)**		
	Interest expense:		
	On loans	117,679	222,925
	On bank overdrafts	49,127	61,474
		166,806	284,399
	Net exchange (gains)/losses:		
	On foreign currency borrowings	(2,951)	20,197
	On other exchange transactions	(4,371)	911
		(7,322)	21,108
	Interest income:		
	On advances to farmers	(29,933)	(25,895)
	On MOCO current account	(117,838)	(56,718)
	On short term deposits	(2,465)	(8,521)
	On staff loans	(3,153)	(2,197)
	Other	(1,321)	(41)
		(154,710)	(93,372)
		4,774	212,135
6	**RESTRUCTURING COSTS:**		
	Voluntary early retirement scheme costs	441,679	307,058
	Privatisation expenses written off	-	134,213
		441,679	441,271

	2001 Shs'000	2000 Shs'000
TAXATION		
(a) Tax expense		
Current taxation based on the adjusted profit for the year at 30%	151,154	-
Deferred tax expense - current year	81,243	360,520
- prior year overprovision	(30,176)	(56,466)
	51,067	304,054
	202,421	304,054
(b) Reconciliation of expected tax based on accounting profit to tax expense		
Accounting profit before taxation	685,221	934,268
Tax at the applicable rate of 30%	205,566	280,280
Tax effect of expenses not deductible for tax purposes	30,735	92,923
Tax effect of income not taxable	(3,704)	(12,683)
Prior year overprovision of deferred tax	(30,176)	(56,466)
	202,421	304,054
(c) Deferred tax (debited) credited to revaluation reserve		
On surplus arising from revaluation of property, plant and equipment	(368,681)	-
On revaluation surplus realised on disposal of revalued plant and equipment	252	70
On transfer of excess depreciation	16,082	15,530
On impairment of plant and equipment	-	1,903
	(352,347)	17,503

8. EARNING PER SHARE

The basic earnings per share has been calculated on the profit for the year of Shs 482,800,000 (2000 - Shs 630,214,000) divided by 51,000,000 (2000 - 51,000,000) ordinary shares in issue during the period. The diluted earnings per share is the same as the basic earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

	Land development Shs'000	Buildings Shs'000	Factory plant and machinery Shs'000	Heavy mobile agricultural machinery Shs'000	Motor vehicles Shs'000	Other equipment and fixtures Shs'000	Capital work in progress Shs'000	**Total Shs'000**
COST OR VALUATION								
At 1 July 2000	435,665	1,402,924	4,488,615	232,156	227,223	273,824	269	7,060,676
Additions	-	-	7,325	31,860	56,982	37,352	26,721	160,240
Reclassifications	94,506	369,222	(552,985)	70,214	996	18,047	-	-
Transferred to current assets(note13)	-	-	(266,521)	(1,965)	(9,871)	(7,203)	-	(285,560)
Disposals	-	-	(862)	(49,668)	(29,195)	(8,763)	-	(88,488)
Revaluation (deficit)/surplus	(40,171)	(88,679)	264,400	-	-	-	-	135,550
At 30 June 2001	490,000	1,683,467	3,939,972	282,597	246,135	313,257	26,990	**6,982,418**
COMPRISING								
Cost	-	-	-	274,487	235,525	267,198	26,990	804,200
Valuation - 1996	-	-	-	8,110	10,610	46,059	-	64,779
Valuation - 2001	490,000	1,683,467	3,939,972	-	-	-	-	6,113,439
	490,000	1,683,467	3,939,972	282,597	246,135	313,257	26,900	**6,982,418**
DEPRECIATION								
At 1 July 2000	52,883	154,662	683,642	194,189	163,252	121,366	-	1,369,994
Charge for the year	10,891	39,562	214,962	25,673	39,599	56,575	-	387,262
Reclassifications	18,901	71,947	(122,751)	27,598	996	3,309	-	-
Transfered to current assets(note 13)	-	-	(57,800)	(1,965)	(8,001)	(3,740)	-	(71,506)
Disposals	-	-	(195)	(48,622)	(20,875)	(4,827)	-	(74,519)
Depreciation written back on revaluation	(82,675)	(266,171)	(717,858)	-	-	-	-	(1,066,704)
At 30 June 2001	-	-	-	196,873	174,971	172,683	-	544,527
NET BOOK VALUE								
At 30 June 2001	490,000	1,683,467	3,939,972	85,724	71,164	140,574	26,990	**6,437,891**
At 30 June 2000	382,782	1,248,262	3,804,973	37,967	63,971	152,458	269	5,690,682

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

On 30 June 2001, property and factory plant and machinery were valued by Tysons Limited. Registered Valuers and Estate Agents, on a depreciated replacement cost basis.

Fully depreciated plant and equipment

	Cost/valuation		Normal depreciation charge	
	2001	2000	2001	2000
	Shs'000	Shs'000	Shs'000	Shs'000
Heavy mobile agricultural machinery	113,108	178,647	27,570	44,662
Motor vehicles	132,735	23,896	27,531	5,790
Other equipment and fixtures	5,400	9,123	1,340	1,140
	251,243	211,666	56,441	51,592

Boarded assets

Boarded assets are items of plants and equipment that are out of use and are earmarked for disposal. Depreciation is not charged on such items. Since they are held for disposal, boarded assets are reclassified from property, plant and equipment to inventories and other assets held for sale (see note 13).

Included in boarded assets under factory plant and machinery is mill 'B' at a net carrying amount of Shs. 147,612,000. The mill is currentlly out of use and no depreciation has been charged on it. The directors estimate that the value of the mill is not less than its net carrying amount.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

10. INTANGIBLE ASSETS

	Willow software Shs'000	Other software Shs'000	Total Shs'000
COST			
At 1 July 2000	18,909	5,279	24,188
Additions	-	1,228	1,228
At 30 June 2001	18,909	6,507	25,416
AMORTISATION			
At 1 July 2000	7,908	2,226	10,134
Charge for the year	6,302	2,097	8,399
At 30 June 2000	14,210	4,323	18,533
NET BOOK VALUE			
At 30 June 2001	4,699	2,184	6,883
At 30 June 2000	**11,001**	**3,053**	**14,054**

11. NON CURRENT RECEIVABLES

	2001 Shs'000	2000 Shs'000
Staff car loans	36,918	43,685
Loan to Busia Sugar Company Limited	40,000	-
	76,918	**43,685**

Included in staff car loans is an amount of Kshs. 1,781,375 (2000 - Shs. 2,237,448)) due from an officer of the company.

The loan to Busia Sugar Company Limited represents a disbursement for the development of 667 hectares of land for cane to be produced for Mumias Sugar Company Limited. The loan attracts interest of 20% per annum and will be repaid through offset against proceeds due to Busia Sugar Company Limited arising from the sale to Mumias Sugar Company Limited of the cane harvested from the development of the 667 Hectares of land.

	2001 Shs'000	2000 Shs'000

12. TRADE INVESTMENT

	2001 Shs'000	2000 Shs'000
194,596 unquoted shares of Shs 20 each in Kenya Farmers Association (KFA)	1	1

The investment in KFA is stated at a nominal value as no benefit is expected to accrue from it in the foreseeable future.

13. INVENTORIES AND OTHER ASSETS HELD FOR SALE

	2001 Shs'000	2000 Shs'000
Inventories		
Sugar and molasses	1,230,968	59,373
Sugar in process	13,118	14,246
Mechanical and electrical spares	1,074,622	1,076,060
Fertilisers, chemicals and fuels	122,347	115,031
Other consumables	42,142	45,286
Goods in transit	151,662	161,610
Growing cane (see note below)	107,051	117,886
	2,741,910	1,589,492
Less: provision for obsolescence	(214,445)	(217,670)
	2,527,465	1,371,822
Plant and equipment held for sale at net book value		
Factory plant and equipment	221,188	17,468
Heavy mobile agricultural machinery	1,021	5,264
Motor vehicles	2,119	1, 128
Other equipment and fixtures	4,658	45
	228,986	23,905
Total inventories and assets held for sale	**2,756,451**	**1,395,727**

With effect from 1 July 1988, Nucleus Estate growing cane ceased to be insured against fire as insurance companies declined to provide cover. No provision has been made in the accounts for possible losses in the event of any burnt cane which cannot be salvaged.

Plant and equipment held for sale comprise items that have been put out of use in preparation for their eventual disposal. Depreciation is not charged on these items. The cost and accumulated depreciation of assets transferred to this category during the year were Shs 285,560,000 and Shs 71,506,000 respectively (see note 9). A provision for impairment loss on these assets amounting to Shs 5,000,000 (2000-Shs 17,469,000) was made during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2001 Shs'000	2000 Shs'000
14. TRADE AND OTHER RECEIVABLES		
Trade receivables	164,250	280,178
Advances to farmers	53,467	130,042
Staff receivables	34,622	36,500
MOCO current account	551,241	373,039
Privatisation expenses recoverable	47,866	-
Other receivables and prepayments	79,365	113,733
	930,811	933,501

Included in staff receivables are balances due from officers of the company amounting to Shs 938,116 (2000-Shs 890,302)

15 SHARE CAPITAL

	2001 Shs'000	2000 Shs'000
Authorised 54,500,000 ordinary shares of Shs 20 each	1,090,00	1,090,000
Issued and fully paid 51,000,000 ordinary shares of Shs 20 each	1,020,000	1,020,000

16 LOANS

Secured local consortium financial institutions long term LOANS: Interest at 17.5% (2000 - 24.9%) per annum:

	2001 Shs'000	2000 Shs'000
Stanbic Bank Kenya Limited	76,962	115,524
Kenya Commercial Bank Limited	109,375	164,063
Kenya Commercial Finance Company Limited	46,875	70,313
Barclays Bank of Kenya Limited	156,250	234,375
	389,462	584,275
Secured foreign currency long term loan:		
East African Development Bank: Interest at 12% per annum		
US$ 510,904 (2000 - US$ 1,532,712)	41,639	123,383
GBP 90,808 (2000 - GBP 272,424)	10,425	33,285
	52,064	156,668
Unsecured loan from Kenya Sugar Authority: Interest at 17% per annum	30,000	-
Total loans	471,526	740,943
Less: Amounts repayable within one year	(246,876)	(299,258)
Non current loans	224,650	441,685

16. LOANS (Continued)

The above loans, except the Kenya Sugar Authority Loan, are secured by legal charges and debentures over all the company's assets.

The maturities of the non-current loans are as follows:

	2001 Shs'000	2000 Shs'000
Repayable between 1 and 2 years	194,650	247,036
Repayable between 2 and 5 years	30,000	194,649
	224,650	441,685

17. DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30%.

	2001 Shs'000	2000 Shs'000
The net deferred taxation liability is attributed to the following terms:		
Accelerated capital allowances	836,613	878,171
Tax losses available for future relief	-	(65,700)
Unrealised exchange differences	75	(5,519)
Provision for service gratuity	(146,236)	(170,562)
Provision for staff leave pay	(29,605)	(26,611)
Revaluation surplus	748,713	396,367
	1,409,560	1,006,146
The movement on the deferred tax account during the year was as follows:		
Balance at begining of the year-as previously reported	1,107,665	764,648
Prior year adjustment	(101,519)	(45,053)
As restated	1,006,146	719,595
Net charge to income statement - note 7 (a)	51,067	304,054
Net debit/(credit) to revaluation reserve - note 7 (c)	352,347	(17,503)
Balance at end of the year	**1,409,560**	**1,006,146**

The prior year adjustment relates to provision for deferred tax on staff leave pay, service gratuity, tax losses and revaluation reserve which had not been provided for in the past.

	2001 Shs'000	2000 Shs'000

18. RETIREMENT BENEFIT OBLIGATIONS

(a) Provision for service gratuity:

	2001 Shs'000	2000 Shs'000
Balance at the begining of the year	568,539	595,490
Additional provision during the year	30,179	53,192
Paid during the year	(111,265)	(80,143)
Balance paid at the end of the year	487,453	568,539

(b) Staff retirement benefit scheme:

Contributions to the company staff retirement benefit scheme are determined by the rules of the scheme and totalled Shs 40,439,000 (2000 - Shs 69,772,000) in the year. On 1 July 2001, an actuarial valuation was carried out by Hymans Robertson (Kenya) Limited which indicated a past service deficit of Shs 89,527,000. The actuaries recommended that the current level of contributions by the employer be maintained at the same rate and that another valuation be carried out by 1 July 2003.

The actuarial valuation was based on the following parameters:

Valuation method	Project Unit Method
Actual employer contribution	23.6%
Recommended employer contribution	23.6%
Principal assumptions:	
- Rate of salary inflation	8%
- Rate of return on investments	10%

(c) Statutory contribution scheme

The company's contributions to the statutory National Social Security Fund scheme are determined by statute and totalled Shs 3,302,000 (2000 - Shs 4,147,000) in the year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

19. TRADE AND OTHER PAYABLES

	2001 Shs'000	2000 Shs'000
Trade payables	364,853	477,997
Out-growers	567,087	393,782
Sugar development levy	34,861	64,884
Value added tax	54,948	90,560
Farmers' contributions for shares	30,821	5,600
Accruals	121,200	85,768
Bills payable	118,136	904
Prepaid sales	31,219	63,713
Loan interest accrued	20,801	12,000
Other payables	142,366	117,036
	1,486,292	**1,312,244**

20. BANK OVERDRAFTS

The bank overdrafts are secured by legal charges and debentures over all of the company's assets.

21. DIVIDENDS (GROSS)

	2001 Shs'000	2000 Shs'000
Interim dividend declared	-	204,000
Final proposed	362,100	226,311
	362,100	**430,311**

The payment of dividends is subject to the approval of the company's long term lenders.

22. PROVISION FOR STAFF LEAVE PAY

	2001 Shs'000	2000 Shs'000
Balance at the begining of the year	88,703	48,786
Provision during the year	83,902	57,922
Paid during the year	(73,922)	(18,005)
	98,683	**88,703**

	2001 Shs'000	2000 Shs'000

23. NOTES TO THE CASH FLOW STATEMENT

(a) RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	2001 Shs'000	2000 Shs'000
Operating profit	1,131,674	1,587,674
Depreciation	387,262	373,137
Amortisation charge	8,399	9,137
Assets impairment charge	5,000	22,056
Profit on disposal of plant and equipment	(22,137)	(10,386)
Deficit on revaluation of property, plant and equipment	26,684	-
Provision for service gratuity	30,179	53,192
Provision for staff leave pay	83,902	57,922
Restructuring costs	(441,679)	(441,271)
Realised exchange gains/(losses)	4,371	(911)
Cash generated from operations before working capital changes	1,213,655	1,650,550
Increase in non current receivables	(33,233)	(18,196)
(Increase)/decrease in inventories	(1,155,643)	951,022
Decrease/(increase) in trade and other receivables	2,690	(146,722)
Increase/(decrease) in trade and other payables	165,247	(780,817)
Cash generated from operations	**192,716**	**1,655,837**

(b) ANALYSIS OF CHANGES IN LONG TERM LOANS DURING THE YEAR

	2001 Shs'000	2000 Shs'000
Balance at the begining of the year	740,943	1,251,622
Loan received	30,000	-
Adjustment for foreign exchange (gain)/loss	(2,951)	20,197
Loans repaid	(296,466)	(530,876)
Balance at the end of the year	**471,526**	**740,943**

(c) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 Shs'000	2000 Shs'000
Cash and bank balances	6,181	106,169
Bank overdrafts	(807,488)	(90,666)
	(801,307)	**15,503**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

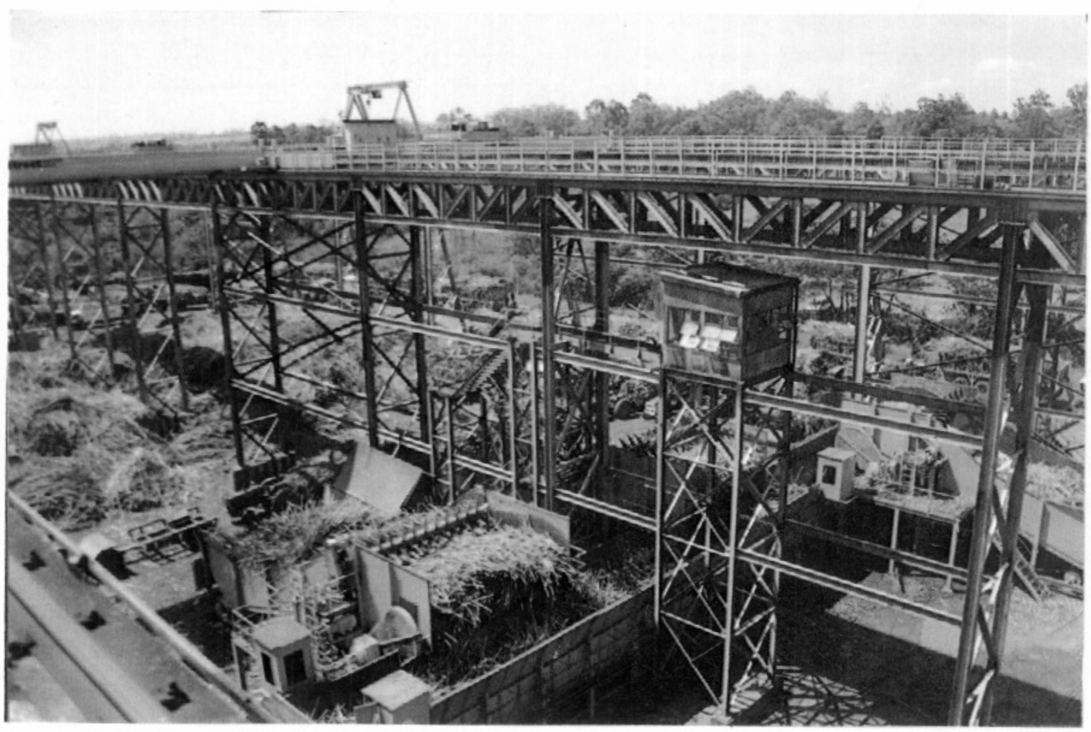
	2001 Shs'000	2000 Shs'000
24. CAPITAL COMMITMENTS		
Commitments at the year end for which no provision has been made in these financial statements:		
Authorised and contracted for	70,503	73,575
Authorised but not contracted for	319,497	96,425
	390,000	170,000

25. INCORPORATION

The company was incorporated in Kenya in 1971 and operated under the State Corporations Act until 1996 when it was exempted from the Act. It now operates under the Companies Act.

26. CURRENCY

These financial statements are prepared in Kenya Shillings thousands (Shs'000)



FIVE YEAR SUMMARY

Kshs'000	30th June 1996/97	30th June 1997/98	30th June 1998/99	30th June 99/2000	30th June 2000/2001
Turnover	6,571,830	6,186,102	6,407,988	9,905,072	6,659,315
Payment to cane farmers	2,558,117	3,262,473	3,535,453	3,643,944	3,593,048
Profit before taxation and exception item	314,145	(4,752)	(44,557)	934,268	685,221
Exceptional item	(185,703)	(108,642)	0	0	0
Profit before taxation	128,442	(113,394)	(44,557)	934,268	685,221
Taxation	(32,570)	(25,468)	14,505	(304,054)	(202,421)
Profit after taxation	95,872	(138,862)	(30,052)	630,214	482,800
Shareholders funds at period end	4,159,921	3,998,898	3,885,642	4,221,015	5,354,095
Return on Capital Employed	8.44%	4.77%	3.89%	18.55%	10.74%
No. of shares.'000	51,000	51,000	51,000	51,000	51,000
Dividends	102,000	102,000	102,000	430,311	362,100
Dividends per share Kshs	2.00	2.00	2.00	8.44	7.10
Earnings per share Kshs	1.88	(2.72)	(0.59)	12.36	9.47
Direct Revenue to Government by way of Value Added Tax and Income Tax	553,562	817,260	914,133	1,362,419	1,871,926
Subsidy to Farmers	142,282	284,979	292,138	237,228	375,910
Staff Costs:					
Management	182,833	219,400	353,535	408,027	480,956
Skilled	272,649	327,179	314,715	467,174	344,837
Unskilled	266,358	292,994	281,901	233,587	172,418
Casual labour	35,332	42,398	50,130	54,389	45,377
Area under Cane (Ha):					
Nucleus Estate	3,455	3,455	3,384	3,446	3,433
Outgrowers	41,182	40,422	39,375	42,504	45,231
Cane Crushed (Thousand Tonnes)	1,825	2,179	2,047	2,283	1,988
Sugar Produced (Tonnes)	191,167	219,731	230,708	267,057	216,539
Increase (Decrease) in Production over Previous Period	(6.86%)	14.94%	5.00%	15.76%	(18.92%)
No. of Registered Farmers at Period End	44,369	44,611	45,118	47,392	51,274
No. of Employees at Period End					
Permanent	4,836	4,662	4,531	3,920	3,240
Seasonal	14,959	15,100	12,579	12,579	14,389
Category of Permanent Employees					
Management	433	420	418	427	447
Skilled	2,162	2,500	2,500	1,934	1,609
Unskilled	2,241	1,742	1,612	1,559	1,184
	4,836	4,662	4,531	3,920	3,240