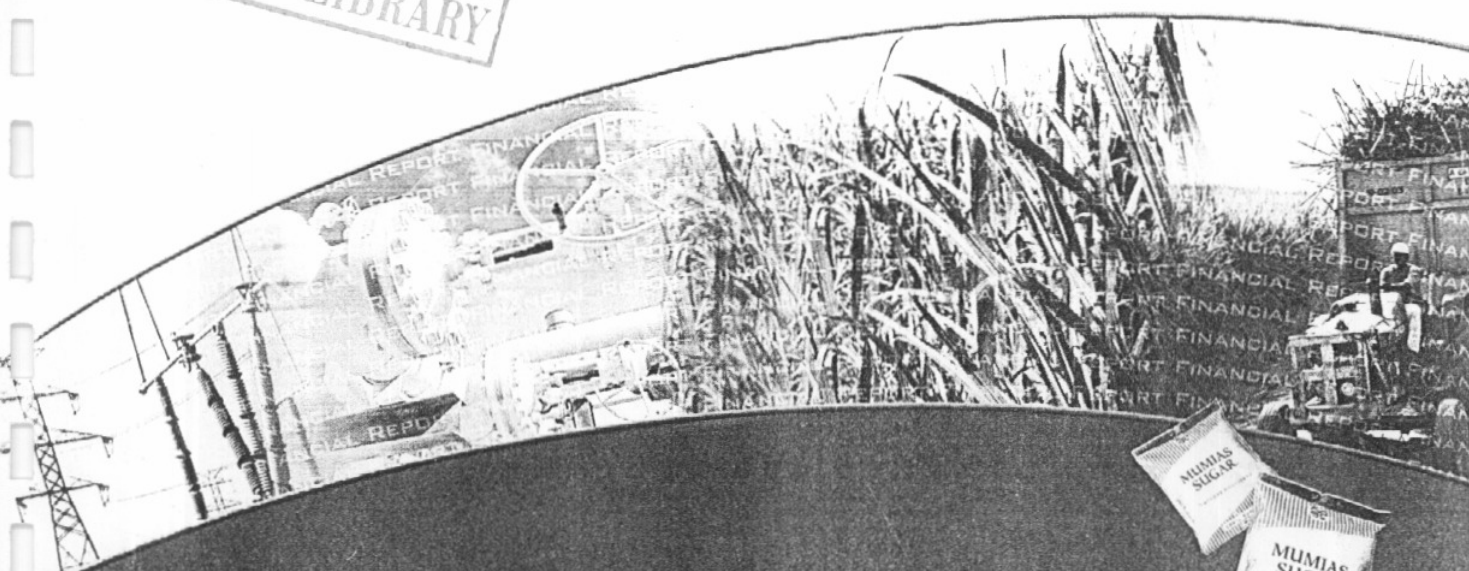


MUMIAS SUGAR
COMPANY LIMITED

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**ANNUAL REPORT
& FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30TH JUNE 2006

2006

1. Mumtaz Sugar Company -- Periodicals
2. Sugar trade -- Kenya -- Periodicals.

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OUR MISSION

To satisfy our consumer needs for sugar and other products through efficient and innovative production and marketing practices while meeting the diverse expectations of all our stakeholders

OUR VISION

To be a leading Kenyan manufacturing Company that efficiently and profitably produces and markets sugar and related products to world class standards.

OUR VALUES

We consistently offer quality products and services to our customers, being a customer driven Company.

We encourage teamwork and positive contribution from our motivated and innovative workforce.

We conduct business with employees, customers and other stakeholders in an honest, fair and caring manner.

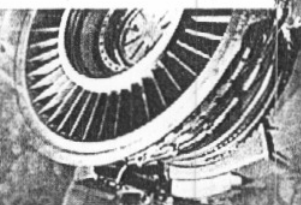
We are an equal opportunity employer guided by International Labour Organization conventions.

We practice fair competition.

We at all times observe good corporate governance.

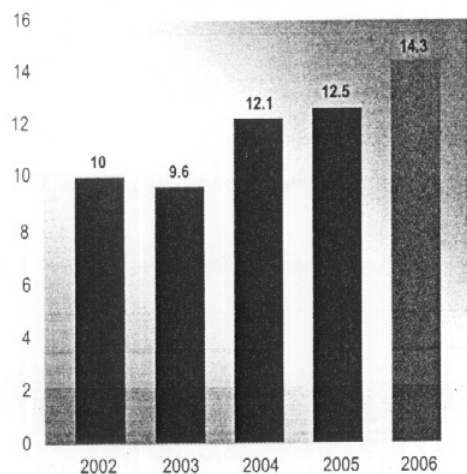
We uphold excellence in performance as the basis of employee rewards.

We embrace internationally accepted health, safety and environmental practices in our operations.

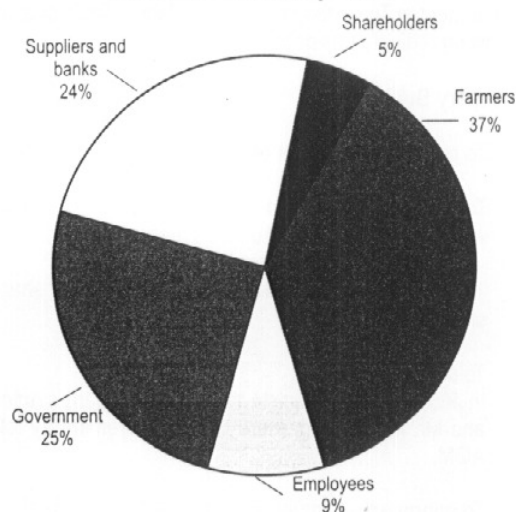


Financial Highlights

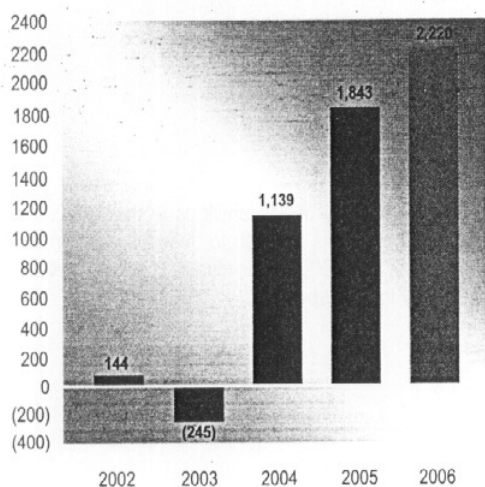
Gross Turnover (Shs billions)



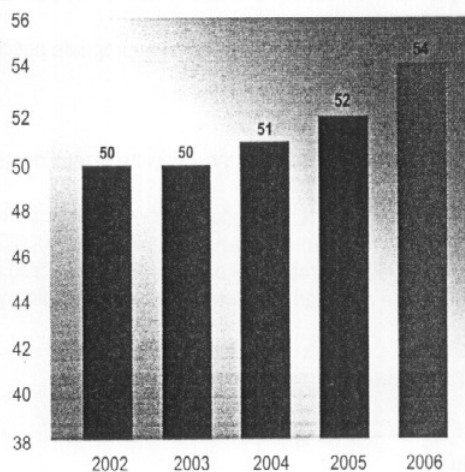
Value Added Summary - 2006



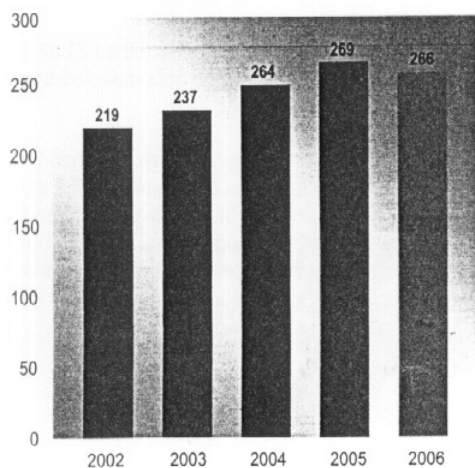
Profit Before Tax (Shs millions)



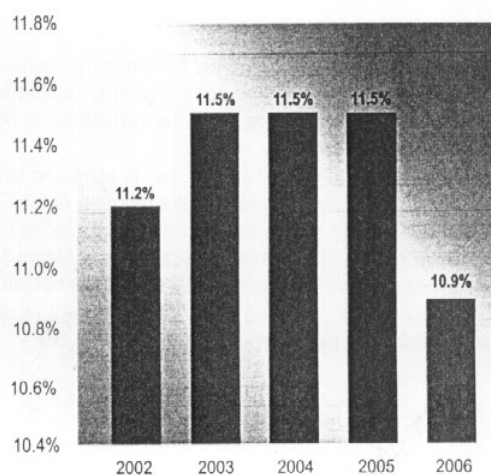
Hectares of Sugarcane (thousands)



Sugar Production (tonnes)



Production Efficiency (Rendement)



Notice of the Annual General Meeting (AGM) 2006

Notice is hereby given that the thirty fifth Annual General Meeting (AGM) of the Shareholders of Mumias Sugar Company Limited will be held at Tom Mboya Labour College, Ring Road, Milimani - Kisumu on Friday 8th December 2006 at 11.00 a.m. to transact the following ordinary business:

Ordinary Business

1. To confirm the minutes of the thirty fourth Annual General Meeting held on 25th November 2005.
2. To receive, consider and, if thought fit, adopt the Annual Report and Financial Statements for the year ended 30th June 2006 together with the Directors' and Auditor's reports thereon.
3. To confirm the interim dividend of Shs. 0.75 per share paid in April 2006 and approve payment of a final dividend of Shs. 1.00 per share.
4. To elect Directors:
In accordance with Article 113 of the Company's Articles of Association, Mr. James Chege, Mr. Joseph Kinyua, Mr. Edwin Osundwa and Mr. Francis Kigen are due for retirement by rotation and being eligible, offer themselves for re-election at the forthcoming AGM.
5. To approve the remuneration of the Directors for the year ended 30th June 2006 as provided in the Financial Statements.
6. To note that the Auditors Messrs Deloitte & Touche, being eligible, will continue in office in accordance with Section 159 (2) of the Companies Act (cap. 486) and to authorize the directors to fix their remuneration.
7. Any other business of an AGM for which appropriate notice will have been given.

Special Business

1. To consider if thought fit to pass the following resolution as an ordinary resolution:

"That the Authorized Share Capital of the Company be increased from one billion ninety million shillings (Kshs 1,090,000,000) divided into five hundred and forty five million (545,000,000) shares of two shillings (Kshs 2) each to five billion shillings (Kshs 5,000,000,000) by the creation of one billion nine hundred and fifty five million (Kshs 1,955,000,000) ordinary shares of two shillings (Kshs 2) each to rank pari passu with the existing ordinary shares of the company in all respects".

By order of the Board

Meshack Guto
Secretary
Private Bag
Mumias
Dated: 3rd November 2006

Notes:

1. Any member may by notice duly signed by him or her delivered to the Secretary not less than 3 and not more than 21 days before the day appointed for the AGM propose any other person for election to the Board, such notice to be accompanied by a notice signed by the person proposed of 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. To be valid, a proxy form which is on page 63 of this report, must be duly completed by the member and either lodged at the Company's Share Registrar's, Image Registrars and Certified Public Secretaries, 8th Floor, Trans National Plaza, Mama Ngina Street, P.O. Box 9287, Postal Code 00100 G.P.O., NAIROBI or lodged at the Company's registered office at Mumias not later than 11.00 a.m. on Tuesday 5th December, 2006 failing which it will be invalid. In case of a corporate body, the proxy form must be under its common seal. Shareholder Admission letter is also set out on page 63 for use by shareholders on the AGM day.

Notisi Kuhusu Mkutano Mkuu wa Pamoja wa Mwaka (AGM) 2006

Notisi inatolewa kuhusiana na mkutano wa 35 wa pamoja wa mwaka (AGM) wa wanahisa wa Mumias Sugar Company Limited utakaofanyika katika Tom Mboya College, Ring Road, eneo la Milimani mjini Kisumu Ijumaa Decemba 8, 2006 kuanzia saa tano asubuhi ili kuangazia maswala yafuatayo:-

Shughuli za Kawaida

1. Kudhibitisha kumbukumbu za mkutano wa 34 uliofanyika Novemba 25, 2005.
2. Kupokea, kufikiwa na endapo itaonekana kuwa sawa, kukubali ripoti ya mwaka na taarifa ya hesabu kwa kipindi kilichomalizika Juni 30, 2006 pamoja na ripoti ya wakurugenzi na ile ya mhasibu.
3. Kudhibitisha mgao wa awali wa faida wa senti 75 (0.75 cents) kwa kila hisa uliolipwa mwezi Aprili na kuidhinisha malipo kwa mgao wa mwisho wa shilingi 1 (Shs 1.00) kwa kila hisa.
4. Kuwachagua wakurugenzi:

Kwa mujibu wa kifungu nambari 113 sheria za kampuni, Bw. James Chege, Bw. Joseph Kinyua, Bw. Edwin Osundwa na Bw. Francis Kigen wamefikisha muda wao wa kustaafu na kwa kuwa hali inawaruhusu, wamejitokeza tena kuchaguliwa wakati wa mkutano mkuu wa mwaka unaotarajiwa.
5. Kuidhinisha marupurupu ya wakurugenzi kwa kipindi cha mwaka kilichomalizika Juni 30, 2006 kama ilivyofafanuliwa kwenye ripoti ya uhasibu.
6. Kufahamisha kwamba, wahasibu Deloitte & Touche wataendelea na kazi yao ya uhasibu kwa mujibu wa sehemu ya 159 (2) ya sheria za kampuni (kifungu nambari 486) na kuwaruhusu wakurugenzi kuamua kiwango cha malipo yao.
7. Shughuli yoyote muhimu ya mkutano mkuu wa pamoja wa mwaka ambayo itahitaji kupokea notisi maalumu.

Shughuli Mahsusi

1. Kuangazia na endapo itaonekana kuwa muhimu kupitisha azimio lifuatalo:-

"Kwamba mtaju wa hisa za kampuni uongezwe kutoka shilingi bilioni 1,090,000,000 zilizogawanywa kwa shilingi milioni 545,000,000 za hisa za shilingi 2 kila moja hadi shilingi bilioni 5,000,000,000 kwa kuongeza shilingi bilioni 1,955,000,000 hisa za kawaida za shilingi mbili kwa kila hisa na kuwa kiwango sawa na hisa za kawaida za kampuni.

Kwa Amri ya Halmashauri

Meshack Guto
Katibu
Private Bag
Mumias
Imenukuliwa Novemba 3, 2006

MUHMU

1. Mwanachama yeyote anaweza kutuma notisi aliyoyitika sahihi na kuiwasilisha kwa katibu kwa muda usiopungua siku 3 au kuzidi siku 21 kabla ya siku ya mkutano mkuu wa pamoja wa mwaka iliyochoaguliwa na kupendekeza mtu anayetaka kuchaguliwa kujiunga na Halmashauri. Notisi kama hii iwe na sahihi ya mtu anayependekeza kuchaguliwa.
2. Mwanachama aliyehitimu kuhudhuria mkutano na kufanya uchaguzi lakini akawa hawezi kuhudhuria, anaweza kumtuma wakala wake ili kupiga kura kwa niaba yake. Sio lazima kwa wakala kama huyo kuwa mwanachama wa kampuni. Ili kuruhusiwa, fomu ya wakala iliyoko kwenye ukurasa wa 64 wa ripoti hii itahitajika kujazwa na mwanachama na kuwasilishwa kwenye ofisi ya msajili wa hisa za kampuni, Image Registra's & Certified Public Secretaries Office orofa ya nane Trans National Plaza, Mama Ngina Street, Slp 9287 Postal Code 00100 GPO NAIROBI au katika ofisi za kampuni mjini Mumias kabla ya saa tano asubuhi Jumanne Decemba 5, 2006. Baada ya kipindi hiki kumalizika, fomu itakayowasilishwa haitakuwa na maana yoyote. Kwa upande wa mashirika, wakala lazima awe ametambuliwa na kuidhinishwa. Barua ya usajili kwa mwanahisa iko ukurasa wa 64 ili kutumika na wanahisa wakati wa mkutano mkuu wa pamoja wa mwaka.

Chairman's Statement

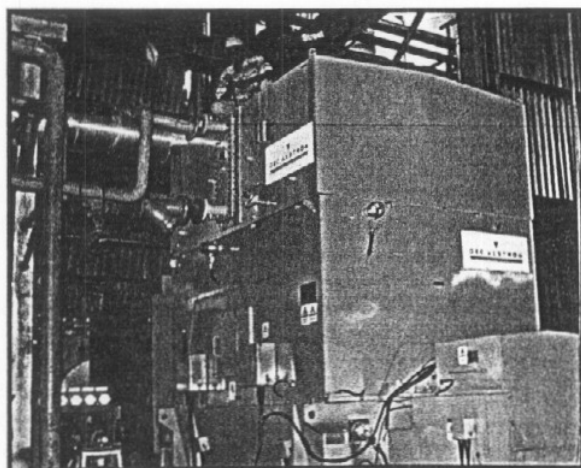


Mr. J V Bosse
Chairman

I am delighted to present to you shareholders, the annual report and financial statements of your company for the year ended 30th June 2006. During the financial year your company recorded yet another year of excellent performance despite the severe drought experienced throughout the country last year which had a major impact on cane availability and cane development.

Financial Results

The financial results for the year ended 30 June 2006 are very encouraging in view of the difficult operating environment during the year. The profit after tax of Shs 1,526,615,000 (2005 – Shs 1,289,930,000) is an increase of 18.3% over last year. This is attributed to favourable selling prices during the year and effective management of operational costs.



The powerhouse for generating electricity

The company processed 2,450,548 tonnes (2005 – 2,348,019) of cane, which is 4.4% higher than last year.

Gross turnover is Shs 14,255,499,000 (2005 – Shs 12,511,512,000) which is 13.9% above that achieved last year. The domestic selling prices were favourable for most of the year. The company continues to strengthen its distribution network for market penetration. New packaging sizes have been introduced for various market segments. The company exported 10,000 tonnes on the European Union Special Preferential Sugar and 6,500 tonnes of sugar on the European Union Sugar Protocol during the year.



Bagasse used as fuel

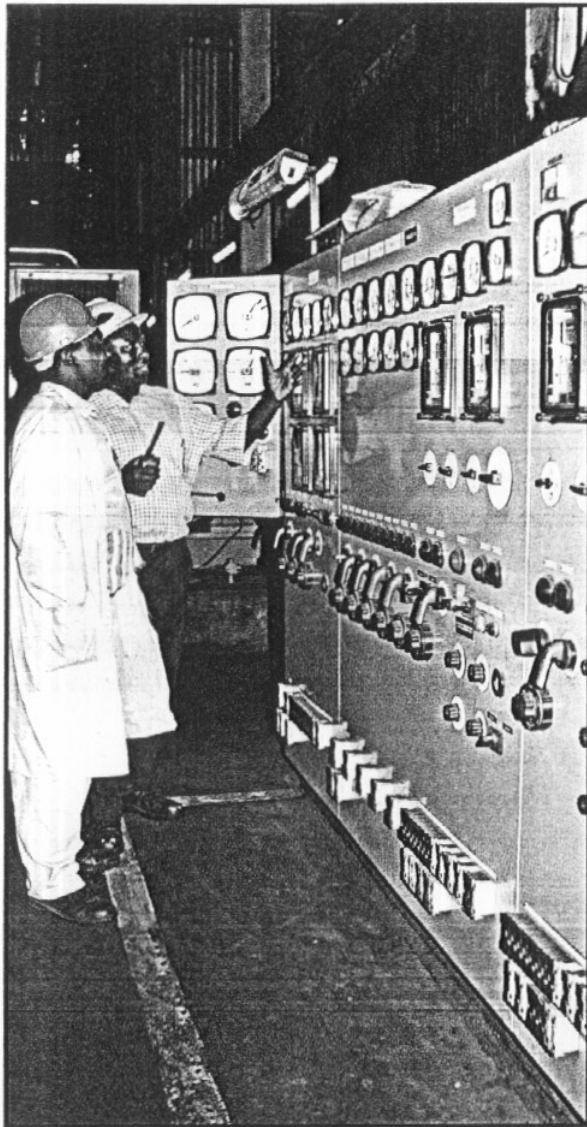
Contribution to Exchequer

The company's contribution to the exchequer in taxes from VAT, Sugar Development Levy, Corporation Tax and other taxes was over Shs 3.8 billion in the year.

Dividend

An interim dividend of Shs 0.75 was paid during the year. The Board is recommending a second and final dividend of 50% per ordinary share of Shs 2 each which is Shs 1.00 per share. This will bring the total dividend for the year to Shs 1.75 which

Chairman's Statement (continued)



A production control centre

is an increase of 16.7% over last year. The register of members will close at 4.30 pm on 3 November 2006 up to 10 November 2006. Final dividend will be paid from 11 December 2006 to shareholders on the register as at close of business on 3 November 2006.

Government Divestiture

The Government of Kenya has started the process of selling a further 91,999,220 shares representing 18.04% of the issued

share capital of the company. This will be through a secondary public offer on the Nairobi Stock Exchange. This is expected to be complete by 31 December 2006.

Strategy and Future Outlook

The sugar industry in Kenya is undergoing a challenging period. The effects of the drought last year has resulted in lower cane availability. The sugar prices are lower due to world sugar prices having decreased considerably this year. Local competition is stiff which has depressed margins. Local production costs continue to be high due to increase in oil prices, very poor roads which have to be maintained by the company, small holder farms, unreliable weather and high potential costs from local and imported goods and services.

The Board of Directors and management are cognisant of the challenges facing the industry and the company. There are strategies in place to introduce new products such as ethanol production, expanding co-generation, new packages for various market segments, capacity expansion and modernisation, investment in computer technology and improved supply chain management for overall efficiency in the company.

The Board of Directors is cautiously optimistic of a satisfactory performance in the coming year.

Appreciation

In conclusion, may I take this opportunity to record my appreciation to my fellow Board Members, Management, Staff and you the shareholders for your dedicated support and commitment to your company throughout the year. The loyalty to Mumias Sugar as a brand of choice by all our esteemed customers is greatly appreciated.

Thank you.

John V. Bosse
Chairman

Taarifa ya Mwenyekiti



Bw. J V Bosse
Mwenyekiti

Nina furaha kuwatangazia wanahisa ripoti na matokeo ya fedha ya kampuni yenu kwa kipindi cha mwaka kilichomalizika Juni 30, 2006. Wakati wa kipindi hiki cha biashara, kwa mara nyingine, kampuni yenu ilipata matokeo ya kufana sana licha ya hali ngumu zilizotokana na ukame ulioshuhudiwa kote nchini, na kuathiri pakubwa uzalishaji na maendeleo ya kilimo cha miwa.

Ripoti ya Fedha

Matokeo ya fedha kwa kipindi cha mwaka kilichomalizika Juni 30, 2006 yalikuwa ya kutia moyo licha ya kuwepo kwa mazingira magumu ya biashara. Faida kabla ya ushuru ya shilingi 1,526,615,000 (Shilingi 1,289,930,000 mwaka wa 2005) iliwasilisha ongozoko la asilimia 18.3 ikilinganishwa na mwaka

jana. Ongezeko hili lilitokana na bei nzuri za mauzo wakati wa kipindi hiki cha mwaka na uthibiti bora wa gharama za utekelezaji kazi.

Kampuni ilisaga tani 2,450,548 za miwa (tani 2,348,019 mwaka wa 2005), kiwango ambacho kilikuwa asilimia 4.4 zaidi ikilinganishwa na mwaka uliopita.

Mapato ya jumla yalikuwa shilingi 14,255,499,000 (Shilingi 12,511,512,000 mwaka wa 2005) kiwango ambacho ni asilimia 13.9 zaidi ikilinganishwa na mwaka uliopita. Bei katika soko la humu nchini ilikuwa ya kuvutia wakati wa kipindi chote cha mwaka. Kampuni inazidi kuimarisha mfumo wake wa usambazaji ili kupenya kwenye masoko. Viwango vipya vya upakiaji sukari vimeanzishwa kukidhi haja ya masoko mbalimbali. Wakati wa kipindi hiki cha mwaka, kampuni iliiza nje tani 10,000 za sukari katika soko la Ulaya (European Union Special Preferential Sugar) na nyingine 6,500 chini ya mkataba wa Sekta ya Sukari ya umoja wa Ulaya (European Union Sugar Protocol).

Mchango Katika Hazina ya Serikali

Mchango wa kampuni katika hazina ya serikali kupitia ushuru wa ziada (VAT), Ushuru wa maendeleo ya kilimo cha miwa, ushuru wa mashirika na kadhalika, zilikuwa zaidi ya bilioni 3.8 wakati wa kipindi hiki cha mwaka.



Diffuser control room

Taarifa ya Mwenyekiti (kuendelea)

Mgawo wa Faida

Halmashauri inapendekeza mgao wa pili na wa mwisho wa asilimia 50 (50%) wa hisa za kawaida wa Sh2.00 ambao ni Sh1.00 kwa kila hisa. Sehemu ya mgawo wa faida ya Shs.0.75 kwa kila hisa ililipwa na kufanya mgawo wote kwa mwaka kuwa Shs. 1.75 kwa kila hisa kiwango ambacho kilikuwa ongezeko la asilimia 16.7 ikilinganishwa na mwaka jana.

Msajili wa wanachama atafunga kitabu cha orodha ya wanahisa Novemba 3, 2006 saa kumi unusu jioni hadi Novemba 10, 2006. Mgawo wa mwisho wa faida utalipwa kuanzia Desemba 11, 2006 kwa wanahisa ambao majina yao yatakuwa ndani ya rejista kufikia Novemba 3, 2006.

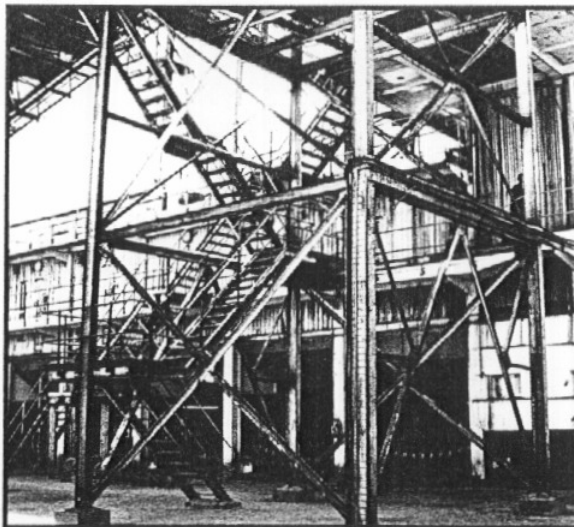
Serikali Kupunguza Hisa Zake

Serikali ya Kenya imeanza shughuli za kupunguza hisa nyingine 91,999,220 zinazowakilisha asilimia 18.04 za jumla ya hisa za kampuni. Zoezi hili litatolewa kwa umma kupitia soko la Hisa la Nairobi (NSE) na linatarajiwa kumalizika ifikapo Desemba 31, 2006.

Mikakati na Mtazamo wa Siku za Usoni

Sekta ya kilimo cha miwa nchini Kenya, inakabiliwa na kipindi chenye changamoto nyingi. Athari za ukame mwaka jana zimepelekea kupunguka kwa zao la miwa. Bei ya sukari imeshuka baada ya zile katika masoko ya kimataifa kupunguka mwaka huu. Ushindani katika soko la humu nchini umekuwa mwingi na umesababisha kupunguka kwa tofauti za bei. Gharama za uzalishaji nchini zinazidi kupanda kutokana na kiwango cha juu cha bei za mafuta, barabara zinazohitaji kampuni kuzifanyia ukarabati, mfumo wa umiliki mashamba madogo, hali ya anga isiyoweza kutegemewa na gharama za juu za huduma, bidhaa za humu nchini na zinazolingizwa kutoka mataifa ya nje.

Bodi ya wakurugenzi na wasimamizi inatambua changamoto zinazokabili biashara hii. Kwa sababu hiyo, mikakati mipya imeandaliwa kukabiliwa na changamoto hii kama vile kuanzisha shughuli ya uzalishaji kawi inayotokana na mabaki ya miwa (Ethanol), kuimarisha ushirikiano kikazi, upakiaji wa bidhaa kwa



Diffuser operations

njia mbalimbali ili kukidhi mahitaji ya masoko tofauti, kupanua uwezo kwa mtindo wa kisasa, kuwekeza katika teknolojia ya kompyuta na kuimarisha usimamizi wa mtandao wa usambazaji kwa manufaa ya kampuni.

Bodi ya wakurugenzi ina matumaini makubwa ya matokeo ya kufana mwaka unaofuata.

Shukrani

Nikimalizia, ningependa kutumia nafasi hii kuwasilisha shukrani zangu kwa wanahalmashauri wenzangu, wasimamizi, wafanyakazi na wanahisa kutokana na mchango na kujitolea kwenu kuwajibikia kampuni wakati wa kipindi chote cha mwaka. Imani waliyo nayo wateja wetu na kuifanya sukari ya Mumias kuwa chaguo lao inatambuliwa.

Ahsanteni Sana

John V. Bosse,
Mwenyekiti

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Managing Director's Report



Dr. E. Kidero
Managing Director

I am pleased to report that Mumias Sugar Company (MSC) has once more recorded good performance during the 2005/06 financial year.

Performance

The Company sold a total of 275,752 metric tonnes of sugar compared to 258,847 metric tonnes for the same period in 2004/2005. The value of the sugar sold exceeded both the budgeted revenue of KShs 10.654 billion by 9% and was above the previous year's sales revenue by 16%. The Company will continue to exploit the full benefits of Mumias Sugar brand equity.

The company implemented a series of tactical strategies which ensured that imported sugar did not pose a serious threat during the year. During the period January to April 2006, the Company rolled out a high profile consumer and trade promotion campaign that sustained our price advantage in the face of imports and widespread price discounting by other local millers.

The Company is on course towards achieving its target of 60% share of market for branded sugar by the end of 2007 financial year. Plans to revolutionise the efficiency of our packaging operation are being developed in order to ensure the plant maximises on efficiency, and reduction on wastage.

Various other packaging options have been developed and will be launched in the coming year. This is to ensure that all consumer segments are covered. Good progress has been

made in partnering up with the hospitality industry in co-branding Mumias Sugar in sachets.

The company exported 16,500 metric tonnes to Europe. We expect to sell to Europe another 5,000 metric tonnes under the ACP/EU Sugar in the 2006/2007 financial year. Serious enquiries have been received and trial shipments have been made to Sudan, Uganda, Rwanda and Burundi.

Factory Operations

The factory processed 2,450,548 tonnes of cane which is 4.4% higher than last year. Sugar produced was 265,819 tonnes which is 1.25% below that produced the previous year. Severe drought experienced throughout the country and cane fires which destroyed 12000 Ha affected cane availability hence crushing of younger cane which had less sugar content therefore lowering productivity.

Heavy rains were experienced in March to April 2006 and this made it difficult to access fields and deliver cane to the factory.

The factory continued with the second phase of the process modernization and expansion project. Two new centrifugal stations, a continuous vacuum pan, and a drier were placed on order before the close of the year. Further improved recoveries and sugar quality are expected once these units are installed.

The cogeneration capacity is set to be increased to 35 Megawatts. As at the end of the financial year, prospective consultants for the design and procurement aspect of the power plant had been identified.

Successful discussions were also held with Japan Carbon Finance on purchasing Carbon Emission Reduction Credits from MSC leading to an agreement which was signed for the period 2009 to 2019. In essence, by producing power using a renewable natural resource, we shall be displacing production of the same power using a fossil fuel.

Agricultural Operations

At the end of the financial year the Mumias cane zone was 58,000 hectares. 2,450,548 tonnes of cane were delivered to the factory.

There were both below and above average rain periods of July to December 2005 and March to June 2006 respectively. Below

Managing Director's Report (continued)

average rains led to serious germination failures. This negative poor weather had great influence on agricultural operations including replanting and cane stool damage.

The above average rains favoured cane growth and overall activities of fertiliser application but caused problems in land preparation, cane transportation and also interfered with amount of Pol % in the cane. It was a difficult year for cane transportation with water logged fields being inaccessible and collapsed road network in most areas.

The company took over and developed about 300 hectares at Nasewa in Busia Sugar Zone after Busia Sugar Company went into receivership. Another 100 hectares were developed at Sangalo Institute of Science and Technology under a special contract with MSC.

To improve farmers incomes, the company undertook to reduce transport distances by constructing three bridges at Walatsi, Sio and Namisi.



Use of technology in production

Information and Communications Technology

The company embarked on a number of organizational, infrastructural, and business technology initiatives all aimed at enabling the attainment of strategic objectives. An IT organization structure was put in place with the challenge of strategy-alignment and value addition to the business processes. A significant number of mid-career external personnel were recruited to inject much needed skills and experience.

Infrastructural initiatives in the period included Local Area Network (LAN) upgrade and extension, Server hardware replacements, Call processor acquisition, Data Centre re-construction, and

Disaster Recovery Centre implementation. About One Hundred and fifty additional personal computer units were procured in the period to cater for new requirements by our users in various departments. These infrastructural sub-projects were driven by needs arising from implementations of new business technology systems, and business continuity procedures.

The call processor will be integrated to the data network so as to deliver voice over internet protocol (VOIP) thus saving the company inter-branch telephone call costs.

Two key business systems projects were undertaken, namely Agricultural Management System and an Enterprise Resource Planning (ERP) system. Selection for the two systems was successfully completed with Pulse Agricultural Management System and MySAP being picked. Implementation contracts were negotiated and signed with Amity Software Inc and SAP Africa being the principals of the two solutions. The projects have been closely monitored by the Board through the Board Human Resource and Strategy Committee.

The two systems are in the process of implementation. The business benefits from the business systems implementations will include reduced operating costs, improved communications, and better customer/farmer service.

Going forward, we will be consolidating gains from completed ICT initiatives and enhancing internal/external communications through intranet and internet (website) implementations. Workflows will be implemented in the business technology systems to further enhance efficiency and reduce costs. I have no doubt that the investments we have made (and continue to make) in ICT will meet our organization's needs and deliver the expected benefits.

Human Resource Management

In line with the company's performance objectives, the HR Department undertook a number of activities aimed at improving staff welfare and providing a conducive environment for employees to make a maximum contribution in their respective areas of work.

Staff Training and Development

During the year a series of staff training and development programmes were successfully implemented.

Managing Director's Report (continued)

The staff who participated enhanced their competencies in both technical and non-technical areas that are critical to the achievement of our corporate objectives. The knowledge, skills and attitudes acquired during these training initiatives have had a desirable outcome on staff performance.

Culture Change

In order to cope with the demands of the emerging competitive business environment it became evident that a new corporate culture needed to be put in place. In response to this, a culture change programme was designed and implemented.

The programme was meant to sensitise all staff on the challenges placed on them as the agents of the change that would see Mumias Sugar Company transform to a modern profit business oriented enterprise. The programme placed a great business emphasis on team building and effective communication.

Our staff have demonstrated a high degree of transformation into the new corporate business driven culture.

Staff Rationalization

A total of 131 employees, 10 management staff and 121 unionisable employees were released on Voluntary Early Retirement Scheme (VERS) at an estimated cost of Shs 190,870,000.

Provident Fund

The Provident Fund Scheme for unionisable staff has been introduced to replace the Gratuity Scheme. Barclays Bank Kenya Limited has been appointed as custodians, Old Mutual as Fund Managers and Alexander Forbes as Fund Administrators.



Forestation project

Environmental Management

In our efforts to encourage afforestation and environmental management the company raised and distributed 50,000 tree seedlings to farmers and the local community and planted 14,000 seedlings in the company estates respectively.

The company won the 2006 COYA Award for Best Practice in Environmental Management.

Corporate Activities

Corporate activities were focussed on conceiving, building and sustaining corporate equity and asset value through effective management of corporate reputation strategies and initiatives that support the company's Mission, Vision and Values.

In order to create, enhance and sustain internal and external publics' awareness of corporate goals, objectives and overall Mission and Vision the company maintained various channels of communication.

The company developed various communication tools targeting the farmers with the key objective of building open and constructive communication between the company and farming community. It was also to encourage involvement of farmers through their participation in discussion and therefore raising interest and sense of ownership at the same time encouraging sharing of information and best practice. A Farmers Education radio programme was started in October 2005 on Mulembe FM to serve this purpose.

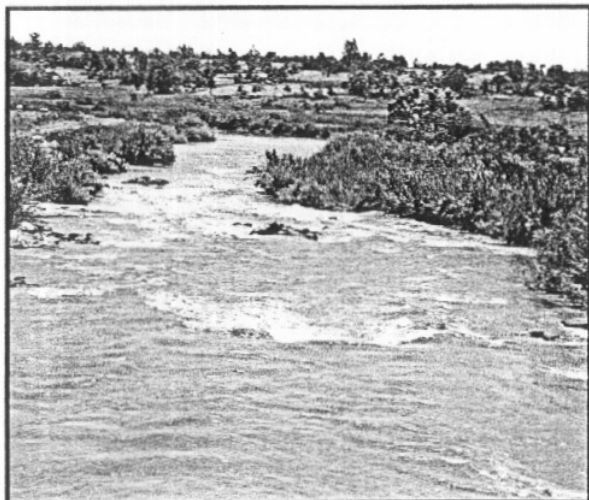
The company also launched 'Sukari Quarterly' in November 2005 which is a magazine for the Mumias Sugar farmer. The magazine has been used as a tool to share information with farmers on best practice in cane husbandry at the same time also carried features of successful farmers.

Corporate Social Responsibility framework was developed to manage the company's social investment. The social investment will be taken up as a positive driven response to the company's business environment by entrenching it into the company's operations, management and governance.

The company will voluntarily engage company employees and make financial investment in community initiatives as its contribution to sustainable solutions to social, economic and environmental concerns, without losing sight of the core business intention.

Managing Director's Report (continued)

As part of being a responsible citizen committed to cleaner and better environment and delivering on environmental concerns other than social and economic considerations, the company has spearheaded the initiative to conserve River Nzoia Basin for present and future generations. MSC committed itself to contributing together with other stakeholders in putting in place a framework to enhance integrated river basin management of Nzoia River, for environmental sustainability and improved livelihoods.



Nzoia River

The Nzoia River is a major river which is a main source of water for industrial establishments in Western Kenya, namely Pan Paper Mills, Nzoia Sugar Company and Mumias Sugar Company. Conservation of the river is of both national and global conservation significance. The Nzoia River Basin is of great economic importance at local as well as national levels especially in terms of agricultural productivity.

Stakeholders in the Basin are increasingly facing problems with low water volume, poor water quality and environmental degradation. This has been as a result of loss of forest cover in upper parts of the catchment and along the river and its tributaries, unsustainable agricultural expansion and land use changes especially along the river banks, population growth, unplanned peri-urban settlements and pollution from domestic, agricultural and industrial sources.

These have negatively impacted on both the volume and quality of water available for various uses. As a consequence there is need to put in place a regime that will enhance the protection of the catchment areas, river banks and pollution control.

In order to address these challenges in a holistic manner an Integrated River Basin Management approach had to be adopted. The initiative is a process that will involve cooperative management of the Basin by bringing the various stakeholders together to exchange ideas and information for planning and implementing shared sustainable management and conservation initiatives in Nzoia River Basin.

The company appreciates that no single organization has all the expertise and experiences to solve conservation problems in a truly integrated way hence the need to work with various stakeholders to achieve the set conservation objectives and targets.

MSC spearheaded the initiative idea and collaborated with Water Resources Management Authority in organizing meetings which led to various stakeholders joining the initiative including; Nzoia Sugar, Pan Paper, West Kenya Sugar Company, Moi University, Western University College for Science and Technology, Sangalo Institute, NGOs including WWF, Centre for Environmental Legal Research and Education (CREEL), GTZ, UNEP, World Bank, Community Based Organisations, Water companies, Municipal councils, Provincial/District administration and the community along the catchment.

The emphasis of the Initiative is on integrated decision making that takes into account the needs, expectations, activities and basin-wide impacts of stakeholders to ensure that water management is sustainable and equitable.

The initiative was officially launched at Mumias Sports Complex in August 2006.

The company won several Awards including Taxpayer of the year, East Africa's Most Respected Companies, CEO of The Year Award, COYA Environmental Management Award and was also recognised amongst Kenya's top five companies by Africa Investors Index.

Managing Director's Report (continued)

Looking Into the Future

The company is faced with challenges ahead including;

- Competition from imports
- Land Tenure System due to subdivision of small holdings
- High taxation
- High cost of inputs
- Cane fires

While the world's fundamental demand and supply situation for sugar favoured the local and regional producers, the coming years are unlikely to paint a clear picture. The increase in world sugar prices together with the potential stability in petrol prices appears to be triggering increased production of sugar.

It is unlikely that COMESA surplus for sell in the region will be overwhelming in flooding the market in 2007. We shall therefore continue preparing for 2008 via:

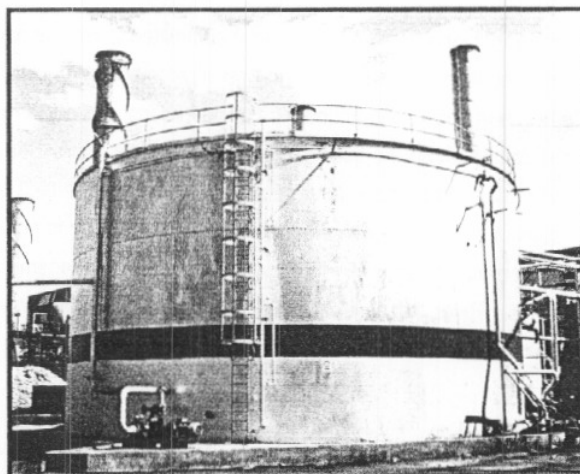
- Continuation of brand equity building,
- Increased share of production and sales for branded sugar
- Building of a solid distributor structure and distribution processes
- Reaching out to COMESA exporters for partnerships in distribution of COMESA into the local market
- Diversification to electricity and Ethanol production

The relentless increase in prices of oil will negatively impact our sugar distribution costs. There is rapidly growing interest for Mumias Sugar in Southern Sudan, Uganda, Rwanda and Eastern DRC. We have made several pilot sales in these areas and we hope to grow.

Mumias an Energy Company

As the world faces the twin spectre of concerns for a cleaner environment and increased oil prices, cogeneration and ethanol as alternative sources of energy will continue to grow. Mumias Sugar Company has taken note of this and is set to exploit the situation. The key advantage is that both these fuels will be derived from by products – bagasse and molasses.

The recent signing of the cogeneration contract and the green light by the MSC Board for management to conduct a feasibility study



Molasses storage tank

in the viability of ethanol serve to confirm the strategic direction the company is taking as an energy supply company through; electricity generation, power ethanol production, provision of animal energy in molasses as an animal feed and sugar as one of the most cost effective sources of human energy.

Significant financial requirement for the capital projects will be financed from debt and equity. Cash will be conserved to finance the growth plans and heavy capital commitments.

Conclusion

On behalf of the management team at Mumias, I wish to thank the Board for its untiring guidance and direction during the year, our loyal farmers, valued customers, dedicated staff and other stakeholders for their continued support and invaluable contributions to our business success, and especially during the last difficult year.

As part of the Mumias team, I am confident that through commitment and dedication from all of us we shall be able to overcome the challenges ahead and record yet other sterling results at the end of the year.

Thank you

Dr. Evans Kidero
Managing Director

Ripoti ya Meneja Mkurugenzi



Dkt. Kidero
Meneja Mkurugenzi

Nina furaha kuripoti kwamba, kwa mara nyingine, Kampuni ya Sukari ya Mumias (MSC) imerekodi matokeo ya kufana kwa kipindi cha mwaka wa 2005/06.

Mafanikio

Kampuni iliiza jumla ya tani metriki 275,752 za sukari ikilinganishwa na tani metriki 258,847 wakati wa kipindi sawa na hiki cha mwaka wa 2004/2005. Thamani ya sukari iliyouzwa ilizidi mapato ya bajeti ya Shilingi Bilioni 10.654 kwa asilimia 9. Kiwango cha mauzo kiliongezeka kwa asilimia 16 ikilinganishwa na mwaka uliotangulia. Kampuni itazidi kuendeleza kikamilifu manufaa ya bidhaa za sukari ya Mumias.

Kampuni ilianzisha mikakati kabambe kuhakikisha kwamba sukari iliyoingizwa nchini kutoka mataifa ya kigeni haikusababisha athari zozote wakati wa kipindi cha mwaka. Katika kipindi cha miezi ya Januari hadi Aprili 2006, kampuni ilizindua kampeini yenye lengo la kuvumisha bidhaa zake na kuifanya kuzidi kufurahia udhibiti dhidi ya bei nafuu zilizotolewa na wasagaji miwa wengine.

Kampuni imo kwenye mkondo wa kufikia lengo lake la kudhibiti asilimia 60 (60%) ya soko la biashara ya sukari chini ya chapa mpya ifikiapo mwisho wa kipindi cha biashara cha mwaka wa 2007. Mipango ya kufanyia mabadiliko shughuli za upakiaji inatayarishwa kuhakikisha kwamba kiwanda kinatumika vilivyo na kupunguza uharibifu.

Njia zingine za upakiaji sukari zimetayarishwa na zinatazamiwa kuzinduliwa mwaka ujao. Hii itahakikisha kwamba vitengo vyote vya wateja wetu vimeshughuliwa. Mafanikio makubwa

yamepatikana kutokana na ushirikiano na hoteli kwa lengo la kupakia sukari katika pakiti ndogo ndogo (sachets).

Kampuni iliiza katika soko la ulaya tani metriki 16,500 za sukari. Tunatarajia kuuza tani metriki 5,000 za sukari chini ya mkataba wa soko la ulaya – ACP/EU. Tumepokea maswali mengi na tumetuma kiwango cha kwanza cha sukari ya majaribio nchini Sudan, Uganda, Rwanda na Burundi.

Shughuli za Kiwanda

Kiwanda kilisaga tani 2,450,548 za miwa, kiwango ambacho kilikuwa asilimia 4.4 zaidi ikilinganishwa na mwaka uliopita. Sukari iliyosagwa ilikuwa tani 265,819, kiwango ambacho kilikuwa chini kwa asilimia 1.25 ikilinganishwa na mwaka uliotangulia. Ukame mkali ulioshuhudiwa kote nchini na moto ulitekeleza hekta 12,000 za miwa, zilichangia ukosefu wa miwa hivyo kupelekea kusagwa kwa miwa changa ambayo ina kiwango kidogo cha sukari na hivyo kusababisha kushuka kwa uzalishaji wa sukari.

Mvua nyingi zilishuhudiwa miezi ya Machi na Aprili na kufanya iwe vigumu kufikia mashamba na kusafirisha miwa kiwandani.

Kiwanda kiliendelea na awamu ya pili ya mradi wa kukiimarisha na kukipanua. Vituo viwili vipya vya mashinepewa (centrifugal), kivuta vumbi (vacuum pan) kisichokoma na mtambo wa kukausha, viliwekwa kabla ya mwisho wa mwaka. Hatua zaidi zenye lengo la kuzuia uharibifu na ubora wa sukari zatarajiwa kufanyika pindi mitambo hii itakapowekwa.

Kiwango cha uzalishaji nguvu za umeme/kawi kinatarajiwa kuongezwa kufikia Megawati 35. Kufikia mwisho wa kipindi cha mwaka, washauri kuhusu uchoraji wa ramani na wakala wa ununuzi wa mtambo walikuwa wametambuliwa.

Mashauriano ya kufana yalifanywa baina ya kampuni ya Japan Carbon Finance kuhusu ununuzi wa mtambo wa kuondoa gesi ya carbon. Mkataba utakaotumika baina ya mwaka wa 2009 hadi 2019 ulitiwa sahihi. Kwa kuzalisha kawi tukitumia upya bidhaa zilizotumika, tutakuwa tukionyesha uzalishaji wa nguvu hizo hizo kwa kutumia mafuta yaliyotokana na mabaki.

Shughuli za Kilimo

Kufikia mwisho wa kipindi cha mwaka cha matumizi ya pesa, jimbo la ukuzaji miwa la Mumias lilikuwa likimiliki ukubwa wa hekta 58,000. Tani milioni 2,450,548 za miwa ziliwasilishwa kiwandani.

Ripoti ya Meneja Mkurugenzi (kuendelea)

Kulikuwa na vipindi vya mvua chache lakini zaidi ya kiwango cha wastani miezi ya Julai - Desemba na Machi hadi Juni mtawalia. Viwango vya chini vya wastani vya mvua vilisababisha athari kubwa ya kuchipuka kwa mimea. Mabadiliko haya ya hali ya hewa, yalisababisha athari mbaya kuhusiana na shughuli za kilimo na hata kupelekea kupandwa upya kwa mimea bali na kuharibu zao la miwa.

Mvua zilizozidi kiwango cha wastani zilisaidia ukuaji wa miwa na shughuli zote za uwekaji mbolea lakini zikasababisha matatizo wakati wa kutayarisha mashamba, usafirishaji na pia kuathiri viwango vya madini ya Pol % kwenye miwa. Kilikuwa kipindi kigumu cha mwaka kwa shughuli ya usafirishaji wa miwa kutokana na mashamba yaliyoloa maji na barabara zilizoharibika maeneo mengi.

Kampuni ilitwaa usimamizi na pia kutayarisha karibu hekta 300 za mashamba ya miwa eneo la Nasewa jimbo la Busia, baada ya kampuni ya Busia Sugar kufilisika na kuwa chini ya mrasimu. Ekari nyingine 100 zilitayarishwa katika chuo cha mafunzo ya sayansi na Teknolojia cha Sangalo (Sangalo Institute Of Science and Technology) chini ya mkataba maalum na MSC.

Ili kuimarisha mapato kwa wakulima, kampuni iliwapunguzia mwendo kwa kujenga madaraja matatu huko Walatsi, Sio na Namisi.

Teknolojia Ya Habari Na Mawasiliano

Kampuni ilianzisha baadhi ya mipango ya utekelezaji, miundo msingi na mipango ya teknolojia ya biashara ikiwa na nia ya kufikia malengo yaliyotarajiwa. Kitengo cha teknolojia ya mawasiliano (IT) kilianzishwa kikiwa na changamoto ya kupanga upya mkakati utakaongeza manufaa katika shughuli za biashara. Wahudumu kadha walijiririwa ili kuimarisha elimu na maarifa haya yaliyohitajika sana.

Miundo misingi iliyoanzishwa wakati wa kipindi hiki ilikuwa ni pamoja na uimarishaji wa mtandao wa Local Area Network (LAN), kubadilisha mitambo ya kompyuta, ununuzi wa mtambo wa kufanikisha mawasiliano ya simu, kujenga upya kituo cha habari na takwimu, na kuanzisha kituo cha kushughulikia majanga ya dharura. Karibu mitambo 100 ya kompyuta ilinunuliwa kukidhi haja ya matumizi katika idara mbalimbali. Haja ya vituo vidogo vya miundo misingi ilitokana na kuanzishwa kwa mfumo wa teknolojia na taratibu za kuendeleza biashara.

Mtambo wa kufanikisha mawasiliano ya simu utaunganishwa na mtandao wa habari na takwimu ili kupitisha mawasiliano kwa njia ya intaneti hivyo kupunguza gharama ya matumizi ya simu.

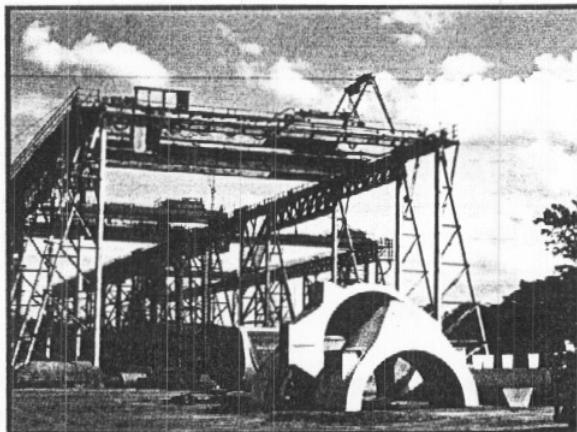
Miradi miwili muhimu ya biashara ilianzishwa ambayo ni, Mfumo wa Usimamizi wa Kilimo na Mpango wa Rasimali za Biashara (ERP). Uteuzi wa mipango hii miwili ulitekelezwa na kufaulu, huku Pulse Agricultural Management na MySAP zikiteuliwa. Kandarasi za uzinduzi zilijadiliwa na kutiwa sahihi na Amity Software Inc na SAP Africa ikawa mchunguzi wa mashirika hayo mawili. Miradi hii imechunguzwa na Halmashauri kupitia Kamati ya Usimamizi wa Wafanya kazi na Kamati ya Mikakati.

Kufikia sasa, miradi hii imetekelezwa. Manufaa ya biashara yatakayopatikana na mradi huu ni pamoja na kupunguka kwa gharama za utekelezaji, kuimarishwa kwa mawasiliano, huduma kwa wateja na wakulima.

Tukitazamia mbele, tutatumia manufaa yaliyopatikana kutoka kwa mikakati ya ICT na kuimarishwa kwa mawasiliano ya ndani na nje kupitia intaneti na wavuti. Shughuli za utendaji kazi zitatekelezwa kupitia teknolojia za biashara ili kuimarisha huduma na kupunguza gharama. Sina shaka kwamba, njia tulizotumia kuwekeza (na tutaendelea) kupitia ICT, zitafanikisha malengo ya kampuni pamoja na manufaa yanayotarajiwa.

Usimamizi wa Kitengo cha Wafanyakazi

Kufuatana na nia ya matokeo ya kampuni, kitengo kinachosimamia uajiri wa wafanyakazi kilishiriki hatua mbali mbali ikiwemo kuimarisha maslahi ya watumishi na kuandaa mazingira bora yatakayowasaidia kutoa mchango wao kikamilifu maeneo wanakohudumu.



Cane yard crane

Ripoti ya Meneja Mkurugenzi (kuendelea)

Uimarishaji wa Mafunzo kwa Wafanyakazi

Wakati wa kipindi hiki, mafunzo mbalimbali ya taaluma na mipango ya maendeleo ziliandaliwa na kufaulu.

Wafanyakazi walioshiriki waliimarisha utendaji kazi katika maeneo ya kiufundi na yale yasiyohitaji ufundi ambazo ni muhimu sana kuafikia malengo ya kampuni. Elimu, maarifa na mtazamo waliopata wakati wa kipindi hiki cha mafunzo zimesababisha matokeo ya kufana kwa utendaji kazi wa wafanyakazi.

Mabadiliko ya Fikira

Ili kukabiliana na mazingira ya ushindani kibiashara, imedhihirika kwamba, mazingira mapya ya utendaji kazi yanahitaji kuanzishwa. Ili kukabiliana na haja hii, mpango mpya wa utekelezaji kazi ulianzishwa.

Mpango huu ulikusudiwa kuwahamisha wafanyakazi wote kuhusiana na changamoto zinazowakabili kama mawakala wa kampuni ya Sukari ya Mumias, mtazamo ambao ungegeuza kampuni na kuwa kituo cha faida na cha kisasa cha biashara. Mpango huu ulitilia mkazo biashara kuhusiana na mshikamano wa pamoja na taratibu bora za mawasiliano.

Wafanyakazi wetu wameonyesha mabadiliko makubwa chini ya mazingira mapya ya biashara.

Mpango wa Kuwastaafisha Wafanyakazi

Jumla ya wafanyakazi 113, maafisa 10 wa usimamizi na wengine 121 chini muungano wa wafanyakazi walistaafishwa chini ya mpango wa kustaafu mapema kwa hiari (Voluntary Early Retirement Scheme - VERS). Shughuli hii iliharimu jumla ya Shilingi 190,870,000.

Hazina kwa Siku za Baadaye

Mpango wa hazina kwa siku za baadaye kwa watumishi walio chini ya muungano wa wafanyakazi umeanzishwa kuchukua mahali pa ule wa awali unaojulikana kama unfounded Gratuity scheme. Benki ya Barclays imeteuliwa kama walinzi wa hazina, Old Mutual kama meneja wa hazina ilhali Alexander Forbes kama wasimamizi wake.

Usimamizi wa Mazingira

Kama juhudi zetu za kusisitiza upandaji miti na usimamizi wa mazingira, kampuni imetoa miche 50,000 ya miti kwa wakulima na jamii zinazoishi karibu. Kampuni imepanda miche 14,000 ya miti katika makao yake.

Kampuni ilishinda tuzo la COYA la mwaka wa 2006 kutokana na usimamizi bora wa mazingira.

Shughuli za Uhusiano Bora

Shughuli za uhusiano bora zililenga kuimarisha sura ya kampuni na thamani ya rasilmali kupitia usimamizi mzuri na mikakati inayosaidia malengo, maono na sifa zake.

Ili kuanzisha, kuhamasisha na kudumisha uhusiano ndani na nje kuhusiana na malengo, nia, wito na ndoto yake, kampuni imedumisha baadhi ya taratibu za mawasiliano.

Kampuni ilizindua njia mbalimbali za mawasiliano ikiwa na lengo la kuwasiliana vyema na jamii ya wakulima. Ilikuwa pia na nia ya kuwahusisha wakulima kushiriki katika majadiliano na hivyo kuimarisha nia yao ya kuhisi umilikaji wa kampuni na wakati huo kuhakikisha kwamba taratibu bora za mawasiliano zimedumishwa. Ili kutimizia lengo hili, kipindi cha redio chenye nia ya kutoa mafunzo kwa wakulima kilianzishwa mwezi Oktoba 2005 chini ya idhaa ya Mulembe FM.

Mwezi Novemba, Kampuni ilianzisha jarida la wakulima wa miwa la kila miezi mitatu la "Sukari quarterly". Jarida hili linatumiwa kama chombo cha kubadilishana maelezo na wakulima kuhusiana na taratibu bora za ukuzaji miwa na wakati huo kuandika makala kuhusu wakulima waliofanya vyema.

Mfumo wa wajibu wa kampuni kwa jamii ulitayarishwa kuangazia uwekezaji wake. Uwekezaji kwa miradi ya jamii utatumika kama njia ya kudumisha mazingira ya kibiashara na kuihusisha kwenye shughuli za maongozi.

Kampuni itawahusisha kwa hiari wafanyakazi kuwekeza kwenye miradi ya kijamii kama mchango wake wa kudumisha suluhisho la ushirikiano, uchumi na maswala ya mazingira bila kupoteza mtazamo wake kibiashara.

Kama mzalendo anayewajibikia mazingira bora na safi bali na kuangazia jamii na kuzingatia uwekezaji, kampuni imeongoza mpango wenye lengo la kuhifadhi mazingira ya Mto Nzoia kwa maslahi ya sasa na siku zijazo. Ikishirikiana na washika - dau wengine, MSC ilitoa mchango wake wa kubuni mpango wa usimamizi wa pamoja wa Mto Nzoia kwa ustawi wa mazingira na kuimarisha maisha ya wakazi.

Ripoti ya Meneja Mkurugenzi (kuendelea)

Nzoia ni mto wa kimataifa ambao ni tegemeo la ukuaji wa viwanda eneo la Magharibi mwa Kenya kama vile, Pan Paper Mills, Nzoia Sugar Company na Mumias Sugar Company. Utunzaji bora wa mto huu ni muhimu kitaifa na kimataifa. Eneo la Mto Nzoia ni muhimu sana kiuchumi kwa jamii zinazoishi karibu na pia kitaifa hasa kwa uzalishaji wa chakula.

Washika - dau katika eneo hili wanaendelea kupata matatizo kutokana na viwango vya chini vya maji, kushuka kwa ubora wa maji na kuharibika kwa mazingira. Hali hii imetokana na uharibifu wa misitu maeneo ya juu ya viazio, mkondo unakopitia, vijito vinavyoingana na mto, kupanuka kwa miradi ya kilimo bila kuzingatia njia zifaazo, matumizi ya ardhi kando ya mto, ongezeko la watu, utoaji ovyo wa hifadhi ya makao na uchafuzi wa hewa unaotokana na shughuli za nyumbani, kilimo na viwanda.

Haya yote yameathiri viwango na ubora wa maji yanayohitajika kwa matumizi mbalimbali. Kwa sababu hiyo, kuna haja ya kuanzisha utaratibu utakaolinda viazio maji, kingo za mito na kudhibiti uchafuzi wa hewa.

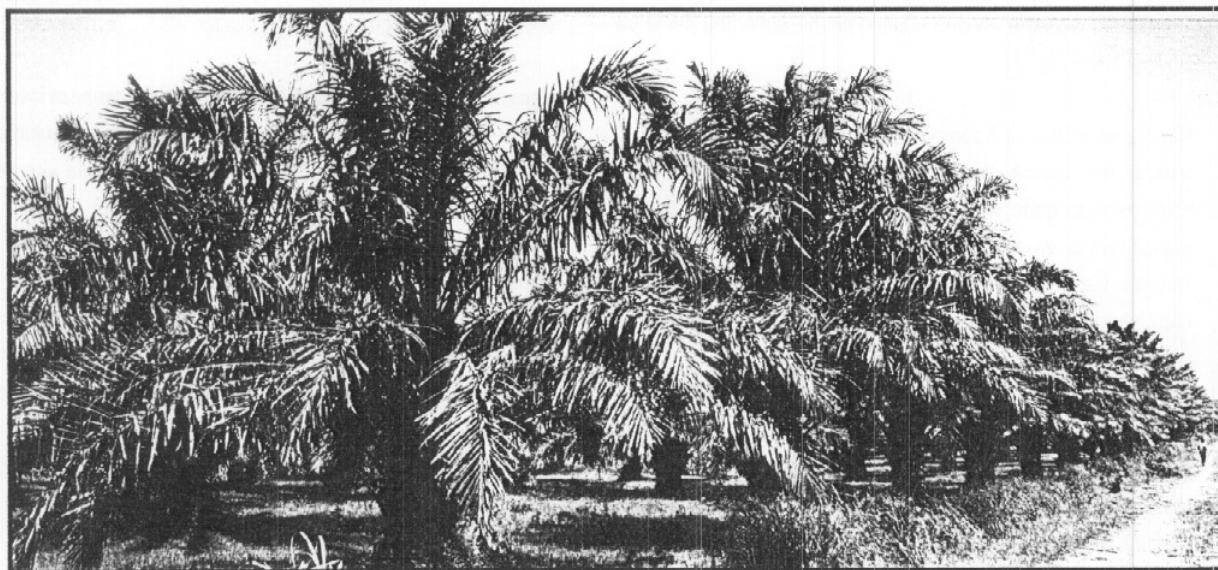
Ili kushughulikia changamoto hii kwa njia inayofaa, ilibidi kamati ya pamoja ya usimamizi wa eneo la Mto Nzoia (Integrated River Basin) kuanzishwa. Mpango huu ni hatua itakayohitaji ushirikiano katika usimamizi wa eneo la mto kwa kuwaleta pamoja washika - dau kubadilishana mawazo na habari ili kuunda taratibu za kudumu kutunza eneo la Mto Nzoia.

Kampuni inatambua kwamba hakuna shirika lolote lenye ujuzi na maarifa kusuluhisha matatizo kwa njia ya haki. Kwa sababu hiyo, kuna haja ya kufanya kazi na washika - dau mbalimbali ili kuafikia nia na malengo ya utunzaji wa mazingira.

MSC iliongoza na kuanzisha wazo kwa kuwasiliana na Halmashauri inayosimamia rasilimali za maji (Water Resources Management Authority) na kuandaa mikutano ambayo ilipelekea washika - dau mbalimbali kujiunga na mpango huu wakiwemo kampuni ya sukari ya Nzoia, Pan Paper, West Kenya Sugar Company, Chuo kikuu cha Moi, Chuo cha Mafunzo ya Sayansi na Teknolojia cha Magharibi (Western University College for Science and Technology), Taasisi ya Sangalo, mashirika yasiyo ya kiserikali ikiwemo WWF, Kituo cha utafiti wa mazingira na elimu (CREEL), GTZ, Shirika la Umoja wa Mataifa linaloshughulikia Mazingira (UNEP), Benki ya Dunia, makundi ya kijamii, mashirika ya maji, Mabaraza ya Serikali za Wilaya, Utawala wa Mkoa/wilaya na jamii zinazoishi kando ya viazio maji.

Lengo la mpango huu ni kuwa na maoni ya pamoja yatakayoshughulikia mahitaji, matazamia, shughuli na athari kwa washika - dau ili kuhakikisha usimamizi wa maji umedumishwa na kusambazwa kwa njia sawa.

Mpango huu ulizinduliwa rasmi katika uwanja wa michezo wa Mumias Complex mwezi Agosti, 2006.



Palm oil project

Ripoti ya Meneja Mkurugenzi (kuendelea)

Kampuni ilishinda tuzo mbalimbali ikiwemo mlipa ushuru wa mwaka, kampuni iyoreshimika zaidi Afrika Mashariki, Afisa Mkuu wa mwaka, tuzo la COYA la usimamizi bora wa mazingira. Africa Investors Index iliishirikisha kampuni miongoni mwa tano bora. Kwa kuangazia siku za mbeleni Kampuni inakabiliwa na changamoto ikiwemo:

- Ushindani wa bidhaa kutoka nje
- Mfumo wa umiliki ardhi ndogo ndogo
- Ushuru wa juu
- Gharama za juu za pembejeo
- Visa vya moto

Huku msingi wa dunia kuhusu mahitaji na usambazaji sukari ukipendelea wazalishaji nyanjani na eneo, miaka inayokuja huenda ikakosa kutoa picha inayofaa. Ongezeko la kimataifa la bei ya sukari na ile ya mafuta zinatawala ongezeko la gharama ya utayarishaji sukari.

Kuna uwezekano kwamba kiwango cha sukari kutoka mataifa ya COMESA kinachouza humu nchini kutoongezeka na kufurika soko la humu nchini mwaka wa 2007. Kwa sababu hiyo, tutazidi kujiandaa kwa mwaka wa 2008 kwa:

- Kuendeleza shughuli ya kuzitambulisha bidhaa zetu
- Kuongeza kiwango cha uzalishaji na mauzo kwa sukari iliyopakiwa chini ya alama mpya
- Kuunda utaratibu na mpango wa mtandao thabiti wa usambazaji
- Kuwasiliana na waingizaji kutoka mataifa ya COMESA ili kuwa na ushirikiano wa usambazaji katika soko la humu nchini.
- Kupanua biashara kwa kuzalisha umeme na kawi inayotokana na mabaki ya miwa - Ethanol.

Ongezeko la bei ya mafuta litaathiri gharama za usambazaji. Kuna haja kubwa ya sukari ya Mumias iliyojitokeza kusini mwa Sudan, Uganda, Rwanda na Mashariki mwa Jamhuri ya Kidemokrasia ya Congo. Tumefanya majaribio ya biashara katika maeneo haya na tunatazamia kufaulu zaidi.

Mumias Kama Kampuni Inayozalisha Kawi

Huku ulimwengu ukizidi kukabiliwa na haja ya kuwa na mazingira safi na ongezeko la bei za mafuta, na kawi inayotokana na mabaki ya miwa, haja ya kuwa na njia badala ya kuzalisha kawi itazidi kukua. Mumias Sugar Company imefahamu jambo hili na inajiandaa kukabiliana na hali hii. Faida kubwa ni kwamba, bidhaa hizi zote za mafuta zitategenezwa kutokana na mabaki ya miwa na molasi.



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Utiaji sahihi majuzi wa kandarasi ya ushirikiano na kuidhinishwa na Halmashauri ya wasimamizi wa Mumias Sugar Company kufanya uchunguzi wa uwezekano wa kuwepo kwa ethanol, unatoa hakikisho la mwelekeo unaochukuliwa na kampuni kuzalisha kawi kupitia: Uzalishaji wa nguvu za umeme, kuzalisha kawi kupitia mabaki ya miwa (Ethanol), kuzalisha molasi kama chakula kinachowapa mifugo nguvu na sukari kama kiungo muhimu kinachompa mwanadamu nguvu.

Pesa zinazohitajika kuendeleza miradi maalumu zitapatikana kupitia mikopo na rasilmali zake. Pesa zitatumika kugharamia mipango ya maendeleo na miradi itakayohitaji kiasi kikubwa cha pesa.

Hitimisho

Kwa niaba ya timu ya wasimamizi ya Mumias, ningependa kushukuru Halmashauri kutokana na mwongozo wake wakati wa kipindi hiki cha mwaka, wakulima waaminifu, wateja, wafanyakazi waliojitolea kikamilifu na washika- dau wengine kwa kuzidi kutuunga mkono na kwa mchango wao uliopelekea ufanisi wetu kibiashara na hasa wakati wa kipindi hiki kigumu cha mwaka. Kama mmoja wa wanatimu katika kampuni ya Sukari ya Mumias, nina imani kwamba kupitia uwajibikaji na kujitolea kwa kila mmoja wetu, tutashinda changamoto zilizo mbele yetu na kurekodi tena matokeo ya kufana ifikapo mwisho wa kipindi cha mwaka.

Ahsanteni.

Dkt. Evans Kidero,
Meneja Mkurugenzi.

Management



Dr. Evans Kidero
Managing Director /
Chief Executive Officer



Mr. Peter Kebati
Head of Finance /
Chief Financial Officer



Mr. Aggrey Wanjala
Head of Agriculture



Mr. Edwin Muruka
Head of Human Resources



Mr. Wesley Koech
Head of Information Technology



Mr. Dickson Mutoka
Head of Sales and Marketing



Mr. James Luchacha
Head of Factory Operations



Mr. Evans Kaiga
Chief Internal Auditor

Corporate Governance

CMA-LIBRARY

The Directors of Mumias Sugar Company recognize the need to conduct Business with integrity and in accordance with highest standard of governance practices. Your Board determines the Company Policy and Strategy, monitors the attainment of Business Objectives and ensures that the company meets its obligations for shareholders. The Directors are also responsible for overseeing the company's internal control systems that are designed to safeguard your assets and to ensure reliability of the financial information used within the company.

The Board of Directors

Mumias Sugar Company consists of eleven non-executive directors and the Managing Director. Most of the non-executive Directors are independent.

The full Board meets at least four times a year. The Directors have access to timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues.

The Board has delegated authority for conduct of day-to-day business to the Managing Director. The Board retains responsibility for establishing and maintaining the Company's overall internal control over financial, operational and compliance issues and monitoring the performance of Executive Management.

The Board has adopted a charter. In terms of the Board Charter, the Board among other responsibilities:-

- Determines the company's vision and mission, provides strategic direction to the company and is responsible for the approval of strategic plans and the implementation of values in support thereof
- Approves the annual business plan and budget proposed by management
- Retains full and effective control over the company and monitors management with regard to the implementation of the approved annual budget and business plan
- Appoints the managing director, who reports to the Board and ensures that succession is planned



Bridge under construction

- Approves the company's financial statements, interim reports and preliminary reports, returns required by Market Regulators, and is responsible for the integrity and reasonable presentation thereof
- Assesses the viability of the company on a going concern basis
- Determines the company's communication policy
- Determines director selection, orientation and evaluation
- Ensures that the company has appropriate risk management, internal control and regulatory compliance procedures in place and that it communicates adequately with shareholders and stakeholders
- Defines levels of delegation in respect of specific matters, with required authority to board sub-committees and management
- Monitors non-financial aspects pertaining to the business of the company
- Considers and, if appropriate, declares the payment of dividends to shareholders
- Regularly evaluates its own performance and effectiveness.

The Board and its committees are supplied with full and timely information, which enables them to discharge their responsibilities.

Corporate Governance (continued)

All directors have access to the company secretary and to independent professional advice in appropriate circumstances at the company's expense. Directors' interests in other boards and contracts are regularly declared and recorded.

Board Committees

The Board has three standing committees that meet regularly under the Terms of Reference (TOR) set by the Board.

Board Human Resource & Strategy Committee (BHRSC)

The scope of BHRSC includes strategy formulation, review and intellectual capital imports into MSC. The Committee ensures that MSC is competitive in the Market place. The Managing Director (MD) is a member of the Committee, while the Company Secretary acts as secretary to the Committee.

The responsibilities of the Committee are to:

- Review with the MD the priority needs for the Board and Company;
- Assist the Board in determining the company's vision and mission, providing strategic direction to the company, approval of strategic plans and implementation of values in support thereof
- Responsible for Information Technology (IT) governance for the Board by ensuring that:
 - IT strategy is aligned to the Business
 - IT Investment delivers value to the Business
 - IT performance is measured
 - IT related risks are managed
 - IT resources and sourcing is effectively managed
- Evaluate the performance of the Board, sub-committees of the Board, Directors and the Chairman
- Make recommendations to the Board in respect to appointment of new directors
- Determine, approve and develop the company's general policy on remuneration as well as specific policy on executive remuneration

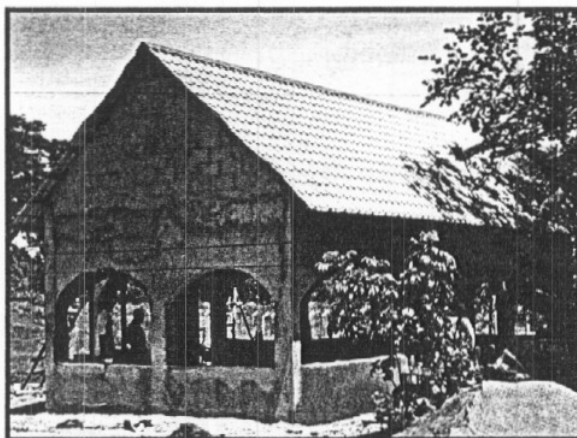
- Review and approve remuneration packages of executive directors including bonus incentive schemes and increments
- Appraise the performance of the Managing Director
- Review the general levels of remuneration for directors of the board as well as its committees
- Regularly review the company's code of ethics and the effectiveness of ethic management principles
- Evaluate cases of unethical behaviour of senior managers and executives of the company
- Review employment equity, skills development and succession planning.

Board Audit Committee (BAC)

The scope of this committee includes risk management, as well as compliance with the regulatory requirements. The Chief Internal Auditor is an ex-officio member while the Company Secretary is the secretary of the Committee.

The main responsibilities of the committee are to:

- Review and recommend to the board, the company's annual reports, interim and preliminary reports, as well as filing of Regulatory requirement by NSE and CMA



Nabongo Culture Centre under construction

Corporate Governance (continued)

- Review and make recommendations to the board relating to the viability of the company as a going concern
- Recommend appointment of external auditors
- Receive the external auditors' reports
- Evaluate and approve the external auditors' plans, scope of findings and reports
- Evaluate the effectiveness of the internal auditing function, including its purpose, activities, scope, adequacy and costs, and approve the annual internal audit plan
- Evaluate policies, procedures and systems introduced by management, thus ensuring that these are functioning effectively
- Review and approve the activities, scope, adequacy and effectiveness of the company's risk management and regulatory procedures
- Evaluate legal matters, which may affect the financial statements
- Establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal control or auditing matters.

Board Tender Committee (BTC)

MSC is a highly capital intensive company. BTC has the responsibility of ensuring that procurement practices are aligned so as to deliver value to expenditure incurred on the agreed business strategy.

BTC is composed of at least four non-executive directors. The Managing Director and the Head of Finance are ex-officio members of the Committee. The Company Secretary acts as secretary to the Committee.

The deliberations on procurement as defined in the procurement manuals are normally driven to deliver value to the business by conforming to the following:



Bridge constructed by MSC to reduce cane transport distances

- Accountability
- Efficiency & effectiveness
- Integrity
- Fairness
- Responsibility
- Transparency

Risk Management

The Board recognises that managing risk to ensure optimal mix between risk and return is an integral part of achieving corporate goals. The Board has put in place procedures for identifying risks and implementing risk-mitigating activities to ensure the risk of failure to achieve business objectives is reduced, if not eliminated. As key risk management initiative, the Company is putting in place a comprehensive system of setting and implementing objectives, measuring performance against objectives and implementing corrective activities to ensure that objectives are achieved.

Internal Controls

The Board has a collective responsibility for the Company's system of internal control and for reviewing its effectiveness. Executive Management have the responsibility for establishing and implementing appropriate systems and controls in the running of the Business of the Company and providing assurance to the Board that they have done so. The system of internal control in place has defined operational procedures and financial controls to ensure that assets are safeguarded, transactions are appropriately authorised and recorded properly and that material errors and irregularities are either prevented or detected within a reasonable period of time. In reviewing the effectiveness of the systems of internal control and risk management, the Board

Corporate Governance (continued)

takes into account the results of the work carried out to audit and review activities of the Company. The Board has reviewed the Company's system of internal control and is satisfied that the system is effective.

Conduct of Business

The conduct of Company's Business is being developed to be driven within a process framework underpinned by defined processes, objectives, policy statements, written procedures and control guidelines. The Company was awarded ISO 9001:2000 Certification during the year.

The Board has established management structures with clearly defined roles, responsibilities and reporting lines.

Performance Reporting

The Business performance of the Company is reported regularly to its Management and the Board. Performance trends, forecasts, as well as actual performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies that are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include, segregating of duties, the regular reconciliation of accounts and valuation of assets.

Health, Safety and Employee Welfare

The welfare of our staff, clients, contractors, suppliers and members of the public is an essential principle of the Company that strives to provide all the employees with safe working conditions at the workplace and a safe environment for our clients, contractors and members of the public.



Best farmer (Sophia Sagalla)

The Company maintains the policy of equal opportunity of employment for all qualified persons and strives to provide all employees with fair equitable terms of employment.

Corporate Social Responsibility

The Company plays a vital and integral role as a good corporate citizen in the community it operates in. The Company sponsors several charities, schools, health institutions and social events by continuously providing budgetary provisions to fund these requirements.

Directors' Shareholding

The Directors' direct and indirect interest in the ordinary share capital of the Company is shown on page 62.

Report of the Directors

for the year ended 30 June 2006

The directors present their report together with the audited financial statements of the company for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

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

RESULTS

	Shs'000
Profit before taxation	2,219,889
Taxation charge	(693,274)
Net profit for the year transferred to retained earnings	<u>1,526,615</u>

DIVIDENDS

An interim dividend of Shs 0.75 per share (2005 - Shs 0.60), totalling Shs 382.5 million (2005 - Shs 306 million) was paid during the year. The directors recommend a second and final dividend of Shs. 1.00 per share (2005 - Shs 0.90) totalling Shs 510 million (2005: Shs 459 million), bringing the total dividend paid and proposed to Shs.1.75 per share (2005 : Shs 1.50 per share) amounting to Shs 892,500,000 in respect of the year.

PRODUCTION

The following are the comparative statistics of cane processed and sugar production for the last five years:

	Cane processed (tonnes)	Sugar production (tonnes)
2006	2,450,548	265,819
2005	2,348,019	269,184
2004	2,290,427	264,802
2003	2,064,893	237,084
2002	1,961,185	219,375

NUCLEUS ESTATE AND OUTGROWERS

The company's nucleus estate under cane, measuring approximately 3,695 (2005 - 3,503) hectares, provides an average of about 7% of the total cane processed annually.

At 30 June 2006, there were 65,943 (2005 - 63,634) registered outgrowers, with 53,674 (2005 - 51,732) hectares of land under cane.

Report of the Directors

for the year ended 30 June 2006 (continued)

DIRECTORS

The directors who served during the year are shown on pages 30 and 31.

In accordance with article 113, four Directors (Mr. James Chege, Mr. Joseph Kinyua, Mr. Edwin Osundwa and Mr. Francis Kigen) will retire by rotation and, being eligible, offer themselves for re-election.

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

M J R GUTO

Secretary

7th September 2006

Statement of Directors' Responsibilities

The Kenya Companies Act requires the directors to prepare financial statements for each financial year 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 requires the directors to ensure that the company keeps 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, in conformity with International Financial Reporting Standards and the requirements of the Kenya Companies Act. 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. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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.

JOHN BOSSE

Director

7th September 2006

JAMES G CHEGE

Director

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

We have audited the financial statements on pages 32 to 60 for the year ended 30 June 2006 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 responsibilities of directors and auditors

As described on page 27, the directors are responsible for the preparation of the financial statements. Our responsibility 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 2006 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenya Companies Act.

Deloitte & Touche

13 October 2006

Corporate Information

DIRECTORS

Mr J V Bosse - Chairman
Dr E Kidero - Managing Director
Mr J Kinyua (alternate Mrs E Koimett)
Hon S A Wako (alternate Mr A Mboya)
Mr J G Chege
Mr K Gatabaki
Dr C W Wangia
Ms G K Ngala
Mr M R Juma
Mr E S Osundwa
Mr F K Kigen
Mr A Hassan

BOARD COMMITTEES

Board Audit Committee

Mr J G Chege - Chairman
Mr K Gatabaki
Mr J Kinyua (alternate Mrs E Koimett)
Mr A Hassan

Board Human Resource and Strategy Committee

Mr K Gatabaki - Chairman
Dr E Kidero
Ms G K Ngala
Mr E S Osundwa
Mr J Kinyua (alternate Mrs E Koimett)

Board Tender Committee

Mr M R Juma - Chairman
Dr C W Wangia
Mr J G Chege
Mr F K Kigen

COMPANY SECRETARY

Mr M J R Guto
Certified Public Secretary (Kenya)
Private Bag,
Mumias

REGISTERED OFFICE

Mumias Sugar Company Limited
Private Bag,
Mumias

ADVOCATES

E K Owinyi & Company
Hamilton Harrison & Mathews
Wetangula & Company Advocates

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii", Ring Road, Westlands
P O Box 40092 - 00100
Nairobi

BANKERS

Kenya Commercial Bank Limited
Barclays Bank of Kenya Limited
The Co-operative Bank of Kenya Limited

Board of Directors



Mr. John Bosse
Chairman

MR JOHN BOSSE (age 60)

Mr. Bosse is an Associate of the Chartered Institute of Bankers (ACIB-UK). He has had a long banking career with Kenya Commercial Bank where he rose to be the Chief Operating Officer of Kenya Commercial Finance Corporation. He also served as Chief Executive of Development Bank of Kenya for over 17 years before his retirement.



Dr. Evans Kidero
Managing Director

DR EVANS KIDERO (age 49)

Dr. Kidero is a Pharmacy graduate from the University of Nairobi and holds an MBA from United States International University. He has over 23 years experience in the Manufacturing and Media sectors where he held several senior management positions and rose to become Managing Director of GlaxoSmithkline and Nation Newspapers Division. He is the Vice-Chairman of the Kenya Sugar Board.



Mr. James Chege
Director

MR JAMES G. CHEGE (age 52)

Mr. Chege is an Accountant by profession with a Bachelor of Commerce degree from University of Nairobi and an MBA from Cornell University, Ithaca USA. Prior to becoming the Head of Corporate Banking at Kenya Commercial Bank, Mr. Chege worked as the Managing Director of KCFC which is a wholly owned subsidiary of KCB. He is currently Director, Bank Restructuring and Privatisation Project in the Ministry of Finance funded by the World Bank.



Mr. Joseph Kinyua
Director

MR JOSEPH KINYUA (age 55)

Mr. Kinyua holds a Master of Arts degree in Economics. He has worked in various senior positions in the Central Bank of Kenya, IMF and Ministry of Finance. He is currently the Permanent Secretary, Treasury. He serves on several company Boards.



Mr. Kungu Gatabaki
Director

MR KUNGU GATABAKI (age 61)

Mr. Gatabaki is a graduate in Economics, Project Finance and Management from Legon and Braford Universities. He worked for CDC (formerly Commonwealth Development Corporation) for 30 years and acquired wide experience in project finance, portfolio management and corporate board practices. He is the Chairman of Housing Finance Company, Grain Bulk Handlers Ltd and Shelter Afrique among several other company Boards.



Hon. Amos Wako
Director

HON AMOS WAKO (age 60)

Hon. Wako was awarded a Bachelor of Law degree from the University of Dar es Salaam and Master of Law and Bachelor of Science (Economics) Honours degrees by the University of London. He is an advocate of the High Court of Kenya and a Fellow of the Chartered Institute of Arbitrators. He was a partner at Kaplan and Stratton Advocates and is currently the Attorney General of Kenya.



Dr. Caleb Wangia
Director

DR CALEB WANGIA (age 60)

Dr. Caleb Wangia is a holder of a BSc Agriculture (Makerere University), MSc Agricultural Economics (University of Nairobi) and Ph.D Agricultural Economics (Alberta University, Canada). He has lectured at Nairobi, JKUAT and Egerton Universities. Wide experience in agricultural input supply with Hoechst, Ciba Geigy, Pfizer Corporation. He has also worked in the NGO sector with FAO and Winrock International. He is currently the Regional Director East Africa with Citizens Network for Foreign Affairs.

Board of Directors



Ms. Grace Ngala
Director

MS GRACE NGALA (age 56)

Ms Ngala obtained a BA degree from the University of Nairobi and an MA degree from the University of Connecticut, USA. Prior to joining MSC Board, Madam Ngala served as a Director on the Boards of National Housing Corporation and Kenya Women Finance Trust. Madam Ngala is also a member of the Professional Business Women Association.



Mr. Alinoor Hassan
Director

MR ALINOOR HASSAN (age 42)

Mr. Hassan is a holder of a Bachelor of Economics and Sociology degree from Egerton University and Masters of Science degree in Industrial Environmental Management from Wageningen University in the Netherlands. He is currently studying for his MBA at University of Nairobi. He has held various management positions at Egerton University. He is currently Managing Partner of Eco International.



Mr. Maurice Juma
Director

MR MAURICE JUMA (age 58)

Mr. Juma holds a Diploma in Statistics from the University of Dar-es-salaam. He was a career banker having worked for Central Bank of Kenya for 27 years from where he retired as a Senior Research Officer. During his long stay at Central Bank, Mr. Juma worked as a member of the joint IMF and CBK Committee on Balance of Payment Review Committee.



Mr. Edwin Osundwa
Director

MR. EDWIN OSUNDWA (age 59)

Mr. Osundwa is a graduate of Economics from Makerere University and a holder of a Master of Economics degree from York University, Toronto, Canada. Mr. Osundwa has worked as a Permanent Secretary in the Ministry of Planning and National Development. Prior to his retirement, Mr. Osundwa was the Permanent Secretary, Ministry of Local Government.



Mr. Francis Kigen
Director

MR FRANCIS KIPKOECH ARAP KIGEN (age 60)

Mr. Kigen is a graduate of University of Nairobi where he obtained a BA (Hons) degree before proceeding for a Master of Education Degree at the University of Malaya, Kuala Lumpur in Malaysia. He has worked as a Director of Kenya Bureau of Standards, as alternate Director Esso Kenya Limited, Human Resources/Public Affairs Manager Esso Kenya Limited. He has also worked as a Training Manager, British American Insurance Company and as Director of Kenya Institute of Personnel Management.



Mr. Meshack Guto
Company Secretary

MR MESHACK GUTO (age 49)

Mr. Guto has an LLB from the University of Nairobi and is an advocate of the High Court of Kenya. He is also a Certified Public Secretary - CPS(K). Prior to joining MSC, he worked as Assistant Secretary Ministry of Foreign Affairs and as Legal Officer at Kenya Industrial Estates. He served as the Chief Legal Officer at Mumias Sugar Company for 20 years prior to his retirement in June 2005. He is currently in private legal practise and the Company Secretary of MSC.



Mrs Esther Koimett
Alternate Director

MRS ESTHER KOIMETT (age 50)

Mrs. Koimett is a holder of an MBA and Bachelor of Commerce degree from the University of Nairobi. She has held various senior positions in government and the parastatal sector. She has been a Permanent Secretary, Ministry of Tourism and Information. She has also been the Managing Director of Postbank. She is currently the Investment Secretary, Ministry of Finance.



Mr. Apollo Mboya
Alternate Director

MR APOLLO MBOYA (age 37)

Mr. Mboya has a BA from Lucknow University, an LLB from Bombay University, Diploma in Law from Kenya School of Law and is a Certified Public Secretary. He is also an advocate of the High Court of Kenya. He has worked a Legal Specialist at UNDP. He is currently a Senior State Counsel at the Attorney General chambers.

Income Statement

for the Year Ended 30 June 2006

	Note	2006 Shs'000	2005 Shs'000
REVENUE	3	11,657,540	10,080,174
FAIR VALUE LOSS ON BIOLOGICAL ASSETS	16	(142,477)	(3,563)
OPERATING INCOME		11,515,063	10,076,611
COST OF SALES		(7,433,514)	(6,291,458)
GROSS PROFIT		4,081,549	3,785,153
OTHER OPERATING INCOME		143,709	78,097
MARKETING AND DISTRIBUTION COSTS		(727,736)	(617,608)
ADMINISTRATIVE EXPENSES		(737,411)	(780,337)
STAFF RATIONALISATION COSTS	4	(190,870)	(229,886)
OTHER OPERATING EXPENSES		(510,711)	(437,093)
OPERATING PROFIT	5	2,058,530	1,798,326
FINANCE INCOME - NET	7	161,359	45,055
PROFIT BEFORE TAXATION		2,219,889	1,843,381
TAXATION CHARGE	8	(693,274)	(553,451)
NET PROFIT FOR THE YEAR		1,526,615	1,289,930
EARNINGS PER SHARE - BASIC & DILUTED	9	Shs 2.99	Shs 2.53
DIVIDENDS PER SHARE			
- Interim	10	Shs 0.75	Shs 0.60
- Final (proposed)	10	Shs 1.00	Shs 0.90

Balance Sheet

30 June 2006

	Note	2006 Shs'000	2005 Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	11	7,324,879	5,756,058
Intangible assets	12	4,247	1,980
Non current receivables	14	96,957	93,872
		7,426,083	5,851,910
Current assets			
Inventories	15	689,843	944,732
Biological assets	16	163,203	220,633
Non current assets held for sale	17	71,577	131,067
Tax recoverable	8	163,661	-
Trade and other receivables	18	1,414,825	1,266,099
Treasury bills - held to maturity	20	593,508	595,587
Short term deposits - held to maturity	21	608,141	302,903
Cash and bank balances		740,665	184,643
		4,445,423	3,645,664
Total assets		11,871,506	9,497,574
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	1,020,000	1,020,000
Revaluation surplus		2,135,554	1,283,438
Retained earnings		4,553,495	3,317,597
Proposed dividend (gross)		-	459,000
Shareholders' equity		7,709,049	6,080,035
Non current liabilities			
Deferred income tax	23	1,760,053	1,167,164
Provision for service gratuity	24	171,392	557,484
Deferred grant income	25	72,601	84,206
Borrowings	26	151,368	-
		2,155,414	1,808,854
Current liabilities			
Provision for service gratuity	24	342,785	-
Borrowings	26	193,707	228,835
Trade and other payables	27	1,275,440	1,052,925
Dividends payable (gross)	28	176,672	108,019
Provision for staff leave pay	29	18,439	40,570
Taxation payable	8	-	178,336
		2,007,043	1,608,685
Total equity and liabilities		11,871,506	9,497,574

The financial statements on pages 32 to 60 were approved by the board of directors on 7th September 2006 and were signed on its behalf by:

Johh V Bosse
James G Chege

} Directors

Statement of Changes in Equity

for the Year ended 30 June 2006

	Share capital Shs '000	Revaluation surplus Shs '000	Retained earnings Shs '000	Dividends proposed Shs '000	Total Shs '000
At 1 July 2004	1,020,000	1,382,514	2,693,591	306,000	5,402,105
Net profit for the year	-	-	1,289,930	-	1,289,930
Final dividend declared - 2004	-	-	-	(306,000)	(306,000)
Interim dividend declared - 2005	-	-	(306,000)	-	(306,000)
Final proposed dividend - 2005	-	-	(459,000)	459,000	-
Transfer of excess depreciation	-	(141,537)	141,537	-	-
Deferred tax on excess depreciation	-	42,461	(42,461)	-	-
At 30 June 2005	1,020,000	1,283,438	3,317,597	459,000	6,080,035
At 1 July 2005	1,020,000	1,283,438	3,317,597	459,000	6,080,035
Net profit for the year	-	-	1,526,615	-	1,526,615
Final dividend declared - 2005	-	-	-	(459,000)	(459,000)
Interim dividend declared - 2006	-	-	(382,500)	-	(382,500)
Gain on revaluation of property, plant and equipment	-	1,348,427	-	-	1,348,427
Deferred tax liability arising from revaluation of property, plant and equipment	-	(404,528)	-	-	(404,528)
Transfer of excess depreciation	-	(131,438)	131,438	-	-
Deferred tax on excess depreciation	-	39,655	(39,655)	-	-
At 30 June 2006	1,020,000	2,135,554	4,553,495	-	7,709,049

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

Cash Flow Statement

for the Year Ended 30 June 2006

	Note	2006 Shs'000	2005 Shs'000
OPERATING ACTIVITIES			
Cash generated from operations	30(a)	2,918,449	2,332,872
Interest paid		(9,125)	(4,366)
Interest received		184,366	87,328
Finance charges paid		(13,477)	(216)
Taxation paid		(846,910)	(788,303)
Net cash generated from operating activities		2,233,303	1,627,315
INVESTING ACTIVITIES			
Movement in actual costs of biological assets		(85,047)	(47,554)
Additions to property, plant and equipment		(638,420)	(669,446)
Additions to intangible assets		(5,748)	(88)
Proceeds from disposal of equipment and assets held for sale		13,253	15,706
Net cash used in investing activities		(715,962)	(701,382)
FINANCING ACTIVITIES			
Dividends paid		(772,847)	(581,615)
Loans repaid	30(c)	(150,000)	-
Loans received	30(c)	450,000	-
Net cash used in financing activities		(472,847)	(581,615)
INCREASE IN CASH AND CASH EQUIVALENTS		1,044,494	344,318
BALANCE AT BEGINNING OF THE YEAR		854,298	509,980
BALANCE AT END OF THE YEAR	30(b)	1,898,792	854,298

Notes to the Financial Statements

for the Year Ended 30 June 2006

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year except as stated below:

Adoption of new and revised International Financial Reporting Standards (IFRS)

In 2005 several new and revised standards became effective for the first time and have been adopted by the company where relevant to its operations. The adoption of these new and revised standards had no effect on the amounts reported for the current or prior years. This only resulted in changes in presentation and disclosure as follows:

- IAS 1 requires management judgement and key sources of estimation and uncertainty at balance sheet date to be disclosed in the financial statements.
- IAS 10 has affected the presentation of proposed dividends.
- IAS 16 has required the disclosure of comparative figures for movements in property, plant and equipment.
- IAS 24 has required the disclosure of the compensation of key management personnel

At the date of authorisation of these financial statements, IFRS 6 on exploration for and evaluation of mineral assets and IFRS 7 on financial instruments disclosures were in issue but not yet effective. The adoption of these Standards, when effective, will have no material impact on the financial statements of the company.

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting as modified to include the revaluation of certain assets.

Revenue recognition

Sale of sugar and molasses are recognised upon delivery to or collection of product by customers and are stated net of Value Added Tax, Sugar Development Levy and discounts. Sugar Development Levy does not apply to molasses sales.

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable.

All other income earned by the company is recognised as it accrues.

Deferred grant income

Grants related to acquisition of equipment are accounted for as deferred income and are recognised in the income statement on a systematic basis over the useful life of the equipment, estimated at 8 years.

Taxation

Income tax expense represents the sum of current tax payable and deferred taxation.

Current taxation is provided on the basis of the results 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.

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

1 ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or at professionally revalued amounts less accumulated depreciation and any accumulated impairment losses. The basis of valuation is depreciated replacement cost.

Property, plant and equipment are revalued at periodic intervals, usually after every five years.

Increases in the carrying amount arising on revaluations are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. 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 of each asset to its estimated residual value over its estimated useful life. The annual rates used are:

Land development	2½%
Buildings	2½% - 5%
Factory plant and machinery	5% - 10%
Heavy mobile machinery	12½% - 25%
Motor vehicles	20% - 33⅓%
Other equipment and fixtures	12½% - 33⅓%

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset 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.

Inventories

Finished sugar and molasses inventories are stated at the lower of production cost and net realisable value. Production cost comprises expenditure directly incurred in the manufacturing process and an allocation of normal production overheads attributable to the process. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

1 ACCOUNTING POLICIES (Continued)

Spares, fertilisers, chemicals and other consumable stores are stated at cost net of provisions for obsolescence where applicable. Cost is calculated on the weighted average cost basis and includes the direct purchase cost, insurance, freight and other incidental costs.

Biological assets

Biological assets (mill and seed cane plantations) and agricultural produce (harvested cane) are stated at their fair values less estimated point-of-sale costs.

The fair value of growing cane is determined based on the present value of expected net cash flows. The fair value of harvested cane is determined based on the prices of cane existing in the market less point-of-sale costs.

Immature growing cane is valued at cost.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and the fair value less costs to sell.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the company as the lessee. All other leases are classified as operating leases.

Company as a lessor

Rental income from operating leases is recognised on the straight line basis over the term of the relevant lease.

Company as a lessee

Rentals payable under operating leases are charged to income on the straight-line basis over the term of the relevant lease. Any payment required to be made to the lessor by way of penalty, for termination of leases before the expiry of the lease period, is recognised in the year in which termination takes place.

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

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.

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

1 ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts of recovery have been exhausted.

Trade payables

Trade payables are stated at their nominal value.

Investments

The company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

Available-for-sale financial assets

Financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

1 ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Bank borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received, net of direct costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee benefits

Defined benefit pension scheme

The company operates a defined benefit post-employment pension scheme for eligible non-unionisable employees. The scheme is funded by contributions from the employees and the company. The assets of the scheme are held and administered independently of the company's assets. The company's contribution to the scheme is charged to the income statement so as to spread the cost over the service lives of the employees. The defined benefit obligation is calculated every three years by independent actuaries using the projected credit unit method. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Defined contribution provident fund

The company is in the process of setting up a defined contribution post-employment provident fund for unionisable employees. A defined contribution provident fund is one where the employee and the company pay a fixed contribution to a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the scheme will be held in a separate trustee administered fund.

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

1 ACCOUNTING POLICIES (Continued)

Defined contribution provident fund (continued)

The company's contributions to the fund are charged to the income statement in the year to which they relate. Contributions for both the employer and the employees for the current year are held by the company pending finalisation of the Trust Deed and related structures.

The company and all its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme. The company's obligation is limited to a specified contribution per employee per month. Currently, the contribution is limited to a maximum of Shs 200 per employee per month. The company's contributions are charged to the income statement in the year to which they relate.

Service gratuity

The company had a Collective Bargaining Agreement (CBA) to pay gratuity to unionisable employees. This was, however, replaced by the defined contribution provident fund as from 1 July 2005. Under the CBA, unionisable employees who resigned or whose services were terminated after five years of continuous service with the company were entitled to fifteen days gratuity payment for each completed year of service. Unionisable employees whose termination of service was occasioned by retirement, medical grounds or death were entitled to thirty days gratuity payment for each completed year of service. Gratuity payments were 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 was dismissed or terminated for gross misconduct was not entitled to gratuity. The service gratuity was provided for in the financial statements as it accrues to each employee.

Unionisable employees who left under the Voluntary Early Retirement Scheme during the year ended 30 June 2006 were paid full service gratuity under the existing terms of the Collective Bargaining Agreement.

The service gratuity earned by the employees up to 30 June 2005 will be paid into the defined contribution provident fund over a maximum of three years, which will be by 30 June 2008.

Contract gratuity

The company has a fixed term service contract with some of the employees. A contract gratuity of 25% of the basic pay earned over the contract period is paid at the end of the contract. The monetary liability is accrued at the end of each year based on the completed period of service.

Bonus scheme

The company operates a bonus scheme for its employees. The bonus is payable based on achievement of annual performance targets.

Restructuring and rationalisation provisions

Restructuring provisions mainly comprise employee termination payments and are recognized in the period which the company becomes legally or constructively committed to payment.

Provision for staff 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.

Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

Comparatives

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

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

2 CRITICAL JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments 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. These are dealt with below:

Biological assets

In determining the fair value of biological assets, the company uses the present value of expected cashflows from the asset discounted at the current market determined pre tax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. The company considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. Management uses estimates based on historical data relating to yields and prices of sugar. The methodology and assumptions used for estimating both the amount and timing of future cashflows are reviewed to reduce any differences between estimates and actual experience. The significant assumptions are set out in note 16.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment.

3 REVENUE

	2006 Shs'000	2005 Shs'000
Gross sales	14,255,499	12,511,512
Less: taxes and discounts		
Value Added Tax	(1,843,318)	(1,725,726)
Sugar Development Levy	(754,641)	(705,612)
	(2,597,959)	(2,431,338)
Net sales	11,657,540	10,080,174
Net sales analysed as follows:		
Sugar sales	11,561,242	10,003,574
Molasses sales	96,298	76,600
	11,657,540	10,080,174

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

44 414
49 116

4 STAFF RATIONALISATION COSTS

Staff rationalisation costs represent expenditure incurred during the year following a decision to reduce the number of employees in a mutually agreed early retirement scheme.

5 OPERATING PROFIT

	2006 Shs'000	2005 Shs'000
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Operating profit is arrived at after:

charging:

Staff costs (note 6)	1,247,718	1,173,977
Subsidy to outgrowers	324,336	313,964
Depreciation of property, plant and equipment (note 11)	417,826	401,354
Amortisation of intangible assets (note 12)	3,481	1,643
Impairment loss on assets held for sale (note 17)	59,490	23,000
Operating lease rentals (note 31)	26,144	11,412
Directors' emoluments - fees	3,143	2,142
- other	46,473	42,272
Auditors' remuneration	4,250	3,600
Provision for bad and doubtful debts	115,867	144,018

and crediting:

Profit on disposal of equipment and assets held for sale	13,053	13,691
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6 STAFF COSTS

Salaries and allowances	1,054,766	931,515
Production bonus	65,717	95,476
Pension - defined benefit scheme	64,690	42,190
Pension - statutory defined contribution scheme	7,558	5,349
Pension administration fee	-	4,156
Group life insurance cover	20,132	8,901
Staff gratuity provision	48,236	94,502
Write back of leave pay	(13,381)	(8,112)

	1,247,718	1,173,977
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Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

7 FINANCE INCOME - NET

	2006 Shs'000	2005 Shs'000
Interest income:		
On MOCO balances	123,056	40,291
On short term deposits	54,379	42,682
On staff loans	6,727	4,871
On advances to farmers	204	(516)
	184,366	87,328
Interest expense:		
On loans	(8,589)	-
On bank overdrafts	(2,089)	(4,366)
	(10,678)	(4,366)
Other finance charges	(13,477)	(216)
Net foreign exchange gains/(losses)	1,148	(37,691)
	161,359	45,055

8 TAXATION

	2006 Shs'000	2005 Shs'000
(a) Taxation charge		
Current taxation based on the adjusted profit for the year at 30% - current year	531,275	618,299
- prior year over-provision	(26,362)	(18,666)
Total current tax charge	504,913	599,633
Deferred tax credit - current year	161,999	(45,485)
- prior year under/(over) provision	26,362	(697)
Total deferred tax charge/(credit) (note 23)	188,361	(46,182)
	693,274	553,451

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

8 TAXATION (continued)

	2006 Shs'000	2005 Shs'000
(b) Reconciliation of expected tax based on accounting profit to tax charge		
Accounting profit before taxation	2,219,889	1,843,381
Tax at the applicable rate of 30%	665,967	553,014
Tax effect of expenses not deductible for tax purposes	34,704	26,846
Tax effect of income not taxable	(7,397)	(7,046)
Prior year underprovision of deferred tax	26,362	(697)
Prior year overprovision of current tax	(26,362)	(18,666)
	693,274	553,451
(c) Taxation payable		
At beginning of the year	178,336	367,006
Prior year overprovision	(26,362)	(18,666)
	151,974	348,340
Taxation charge	531,275	618,299
Taxation paid	(846,910)	(788,303)
Tax (recoverable)/payable	(163,661)	178,336

9 EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue during the year.

	2006	2005
Earnings for purposes of basic and diluted earnings per share (Sh'000)	1,526,615	1,289,930
Number of ordinary shares (thousands)	510,000	510,000
Earnings per share Basic & diluted (Shs)	2.99	2.53

There were no potential dilutive shares outstanding at either 30 June 2006 or 30 June 2005.

10 DIVIDENDS

An interim dividend of Shs 0.75 per share (2005 - Shs 0.60), totalling Shs 382.5 million (2005 - Shs 306 million) was declared during the year.

The directors propose that a final dividend of Shs 1.00 (2005 - Shs 0.90) be paid to shareholders amounting to a total of Shs. 510 million (2005 - Shs 459 million). This dividend is subject to approval by shareholders at an Annual General Meeting to be held on 8th December, 2006 and has not been included as a liability in these financial statements.

10 PROPERTY, PLANT AND EQUIPMENT

	Land development Shs'000	Buildings Shs'000	Factory plant and machinery Shs'000	Heavy mobile 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 2004	490,000	1,759,986	4,060,066	262,039	222,685	409,744	3,799	7,208,319
Additions	-	-	28,523	71,811	58,392	25,916	484,804	669,446
Transferred to assets held for sale (note 16)	-	-	-	(12,365)	(28,335)	(1,358)	-	(42,058)
Transfers from capital work in progress	-	77,431	-	-	-	-	(77,431)	-
Disposals	-	-	-	-	-	(290)	-	(290)
Reclassifications	-	-	-	-	5,500	(5,500)	-	-
At 30 June 2005	490,000	1,837,417	4,088,589	321,485	258,242	428,512	411,172	7,835,417
At 1 July 2005	490,000	1,837,417	4,088,589	321,485	258,242	428,512	411,172	7,835,417
Additions	-	42,134	193,266	46,909	18,874	22,502	314,735	638,420
Transferred to assets held for sale (note 16)	-	-	(2,491)	(4,475)	(17,395)	(1,309)	-	(25,670)
Transfers from capital work in progress	-	902	551,794	-	-	-	(552,696)	-
Reclassification	-	(321,000)	321,000	-	-	-	-	-
Revaluation	253,886	330,151	(1,065,528)	(104,873)	-	-	-	(586,364)
At 30 June 2006	743,886	1,889,604	4,086,630	259,046	259,721	449,705	173,211	7,861,803
COMPRISING								
Cost	-	-	-	-	250,103	403,646	173,211	826,960
Valuation – 1996	-	-	-	-	9,618	46,059	-	55,677
Valuation – 2006	743,886	1,889,604	4,086,630	259,046	-	-	-	6,979,166
	743,886	1,889,604	4,086,630	259,046	259,721	449,705	173,211	7,861,803

10 PROPERTY, PLANT AND EQUIPMENT

	Land development Shs'000	Buildings Shs'000	Factory plant and machinery Shs'000	Heavy mobile machinery Shs'000	Motor vehicles Shs'000	Other equipment and fixtures Shs'000	Capital work in progress Shs'000	Total Shs'000
DEPRECIATION								
At 1 July 2004	36,750	190,640	788,792	217,967	185,822	300,327	-	1,720,298
Charge for the year	12,250	64,546	252,831	21,742	22,374	27,611	-	401,354
Transferred to assets held for sale (note 16)	-	-	-	(12,365)	(28,280)	(1,358)	-	(42,003)
Disposals	-	-	-	-	-	(290)	-	(290)
At 1 July 2005	49,000	255,186	1,041,623	227,344	179,916	326,290	-	2,079,359
Charge for the year	12,250	51,319	283,914	21,121	26,036	23,186	-	417,826
Transferred to assets held for sale (note 16)	-	-	(2,491)	(4,475)	(17,395)	(1,109)	-	(25,470)
Reclassification	-	(61,143)	61,143	-	-	-	-	-
Written back on revaluation	(61,250)	(245,362)	(1,384,189)	(243,990)	-	-	-	(1,934,791)
At 30 June 2006	-	-	-	-	188,557	348,367	-	536,924
NET BOOK VALUE (valuation)								
At 30 June 2006	743,886	1,889,604	4,086,630	259,046	71,164	101,338	173,211	7,324,879
At 30 June 2005	441,000	1,582,231	3,046,966	94,141	78,326	102,222	411,172	5,756,058
NET BOOK VALUE (Cost basis)								
At 30 June 2006	376,471	497,246	2,919,121	119,499	69,251	92,583	173,211	4,247,382
At 30 June 2005	387,227	741,827	2,091,840	93,711	76,430	93,037	411,172	3,895,244

Property and factory plant and machinery were revalued on 30 June 2006, by Lloyd Masika, Registered Valuers and Estate Agents, on a depreciated replacement cost basis.

Included in factory plant and heavy mobile machinery are assets with a carrying value of Shs 72,601,000 (2005 - Shs 84,206,000) acquired under a Road Maintenance Unit package financed by the Kenya Sugar Board.

The balance on capital work-in-progress mainly represents factory expansion works and Information Technology (IT) upgrade projects that were ongoing as at balance sheet date.

All property, plant and equipment have been charged to secure banking facilities as disclosed on note 26.

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Fully depreciated plant and equipment

	Cost/valuation		Normal annual depreciation charge	
	2006 Shs'000	2005 Shs'000	2006 Shs'000	2005 Shs'000
Factory plant and machinery	-	102,798	-	4,416
Heavy mobile machinery	-	195,081	-	36,957
Motor vehicles	168,824	136,897	34,986	28,081
Other equipment and fixtures	187,541	245,643	48,692	53,309
	356,365	680,419	83,678	122,763

12 INTANGIBLE ASSETS

	Willow software Shs'000	Other software Shs'000	Total Shs'000
COST			
At 1 July 2004	29,910	18,299	48,209
Additions	-	88	88
At 1 July 2005	29,910	18,387	48,297
Additions	-	5,748	5,748
At 30 June 2006	29,910	24,135	54,045
AMORTISATION			
At 1 July 2004	29,910	14,764	44,674
Charge for the year	-	1,643	1,643
At 1 July 2005	29,910	16,407	46,317
Charge for the year	-	3,481	3,481
At 30 June 2006	29,910	19,888	49,798
NET BOOK VALUE			
At 30 June 2006	-	4,247	4,247
At 30 June 2005	-	1,980	1,980

As at 30 June 2006, intangible assets with a cost of Shs 47,132,414 (2005 – Shs 43,367,000) were fully amortised. The normal annual amortisation charge on these assets would have been Shs 15,709,234 (2005 – Shs 14,454,000).

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

13 PREPAID OPERATING LEASE RENTALS

The company owns 4,413.82 hectares of leasehold land. The value of the land is not reflected as prepaid operating lease rentals as the land was allocated to the company by the Government of Kenya at no purchase consideration. The land has been charged to secure banking facilities granted to the company as disclosed on note 26.

14 NON-CURRENT RECEIVABLES

	2006 Shs'000	2005 Shs'000
Staff accounts	147,718	136,001
Less: receivable within one year (included under note 17)	(50,761)	(42,129)
Receivable after one year (non-current)	96,957	93,872

Included in staff accounts is a balance of Shs 866,667 (2005 – Shs 3,467,000) due from officers of the company.

Included in the staff accounts balances are staff car loans amounting to Shs 135,535,818 (2005 – Shs 128,163,000) which are registered in joint names of the company and the employees as disclosed in note 33.

The effective interest rate on staff loans during the year was 5% (2005 - 5%).

15 INVENTORIES

	2006 Shs'000	2005 Shs'000
Sugar and molasses	2,459	245,073
Sugar in process	7,621	2,424
	10,080	247,497
Mechanical and electrical spares	484,847	504,598
Fertilisers, chemicals and fuels	87,070	67,131
Other consumables	53,189	36,870
Goods in transit	54,657	88,636
	689,843	944,732

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

16 BIOLOGICAL ASSETS

	2006 Sh'000	2005 Sh'000
At 1 July	220,633	176,642
Additions at cost	193,939	132,456
Decrease due to harvest	(108,892)	(84,902)
	305,680	224,196
Loss/(gain) arising from changes in fair value attributable to physical changes	154,039	(8,126)
(Gain)/loss arising from changes in fair value attributable to price changes	(11,562)	4,563
Net fair value loss during the year	(142,477)	(3,563)
Carrying amount at the end of the year	163,203	220,633

Significant assumptions made in determining the fair values of biological assets and agricultural produce are:

- The valuation is based on a market price of Shs 2,000 (2005: Shs 1,890) per tonne of sugar cane.
- Cane at the age of six months and below is assumed to be immature and has no reliably determinable market value. Immature growing cane has been stated at cost.
- The estimated sucrose content per tonne of mature cane (pol value) at various stages of growth will remain constant at between 8.9% and 12.8% depending on the age of the cane across the sugar belt.

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 financial statements for possible losses in the event of any burnt cane which cannot be salvaged.

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

CMA-LIBRARY

17 NON CURRENT ASSETS HELD FOR SALE

	Factory plant and equipment Shs'000	Heavy mobile machinery Shs'000	Motor vehicles Shs'000	Other equipment and fixtures Shs'000	Total Shs'000
COST					
At 1 July 2004	303,644	24,177	12,088	5,724	345,633
Transferred from property, plant and equipment (note 10)	-	12,365	28,335	1,358	42,058
Disposals	-	(20,759)	(32,665)	(2,041)	(55,465)
At 1 July 2005	303,644	15,783	7,758	5,041	332,226
Transferred from property, plant and equipment (note 10)	2,491	4,475	17,395	1,309	25,670
Disposals	(1,246)	(6,475)	(15,761)	(1,782)	(25,264)
At 30 June 2006	304,889	13,783	9,392	4,568	332,632
DEPRECIATION					
At 1 July 2004 - depreciation	59,986	24,177	10,673	3,302	98,138
Transferred from property, plant and equipment (note 10)	-	12,365	28,280	1,358	42,003
Eliminated on disposal	-	(20,759)	(31,195)	(1,496)	(53,450)
At 1 July 2005	59,986	15,783	7,758	3,164	86,691
Transferred from property, plant and equipment (note 10)	2,491	4,475	17,395	1,109	25,470
Eliminated on disposal	(1,246)	(6,475)	(15,761)	(1,582)	(25,064)
At 30 June 2006	61,231	13,783	9,392	2,691	87,097
IMPAIRMENT					
At 1 July 2004	91,468	-	-	-	91,468
Impairment charge for the year	23,000	-	-	-	23,000
At 1 July 2005	114,468	-	-	-	114,468
Impairment charge for the year	59,490	-	-	-	59,490
At 30 June 2006	173,958	-	-	-	173,958
NET BOOK VALUE					
At 30 June 2005	69,700	-	-	1,877	71,577
At 30 June 2004	129,190	-	-	1,877	131,067

The assets held for sale under factory plant and equipment relates to mill 'B'. The directors are currently seeking to dispose of the mill. The bids received indicate that the carrying amount of the mill is fairly stated.

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

18 TRADE AND OTHER RECEIVABLES

	2006 Shs'000	2005 Shs'000
MOCO receivables (note 19a)	806,320	741,610
Other receivables and prepayments	228,126	125,345
Trade receivables	248,212	242,854
Busia outgrowers (note 19b)	80,079	75,177
Staff accounts	50,761	42,129
Advances to farmers	1,327	1,335
Value Added Tax recoverable	-	31,504
Sugar development levy recoverable	-	6,145
	1,414,825	1,266,099

19 (a) MOCO RECEIVABLES

	Gross amount Shs' 000	Provision for doubtful debt Shs' 000	Net 2006 Shs' 000	Net 2005 Shs' 000
Services recoverable from farmers	609,062	(108,582)	500,480	465,205
Accountancy fees and agricultural extension services	201,146	(201,146)	-	31,993
Interest receivable from MOCO (see note below)	425,460	(121,188)	304,272	243,472
Current account	50,307	(50,076)	231	18
Other receivables	1,337	-	1,337	922
TOTAL (note 18)	1,287,312	480,992	806,320	741,610

The company provides accountancy and agricultural extension services to farmers on behalf of Mumias Outgrowers Company Limited (MOCO) as provided for in an agreement dated 28 May 1976. MOCO has been unable to source for funds for cane development resulting in the company funding most of the services to farmers. This has resulted in interest receivable from MOCO to increase over the years. The directors have made provisions for the amounts deemed not recoverable from MOCO due to its inability to meet its obligations as they fall due.

The interest receivable from MOCO has been disputed by MOCO (see note 33).

(b) BUSIA OUTGROWERS

	2006 Shs'000	2005 Shs'000
Service recoverable from farmers	73,507	69,477
BOCO current account	6,572	5,700
TOTAL (note 18)	80,079	75,177

The company provides cane development and agricultural extension services to farmers contracted by Busia Outgrowers Company Ltd. The amounts due are fully recoverable from farmers on harvest.

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

20 TREASURY BILLS – HELD TO MATURITY

	2006 Shs'000	2005 Shs'000
Redemption value	600,000	600,000
Less: unearned discount	(6,492)	(4,413)
	593,508	595,587

The treasury bills mature within 90 days of the acquisition date. The effective interest rate on treasury bills was 8.2% (2005 - 8.7%).

21 SHORT TERM DEPOSITS – HELD TO MATURITY

	2006 Shs'000	2005 Shs'000
Barclays Bank of Kenya Limited	608,141	302,903

The effective interest rate on short term deposits as at 30 June 2006 was 7.45 % (2005 - 7.6%) and they mature within 90 days of the acquisition date.

22 SHARE CAPITAL

	2006 Shs'000	2005 Shs'000
Authorised:		
545,000,000 ordinary shares of Shs 2 each	1,090,000	1,090,000
Issued and fully paid:		
510,000,000 ordinary shares of Shs 2 each	1,020,000	1,020,000

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

23 DEFERRED INCOME TAX LIABILITY

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

	2006 Shs'000	2005 Shs'000
The net deferred tax liability is attributable to the following items:		
Deferred tax liabilities:		
Accelerated capital allowances	930,126	740,990
Revaluation surpluses	941,943	577,069
Fair value of biological assets	48,961	66,190
Unrealised exchange gains	344	-
	1,921,374	1,384,249
Deferred tax assets:		
Provision for service gratuity	(154,253)	(167,245)
Provision for staff leave pay	(5,532)	(12,171)
Unrealised exchange losses	-	(11,307)
General doubtful debts provision	(1,536)	(26,362)
	(161,321)	(217,085)
	1,760,053	1,167,164
The movement on the deferred tax account during the year was as follows:		
Balance at beginning of the year	1,167,164	1,213,346
Deferred tax on revaluation of property, plant and equipment	404,528	-
Net charge/(credit) to income statement - note 8(a)	188,361	(46,182)
Balance at end of the year	1,760,053	1,167,164

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

24 RETIREMENT BENEFITS OBLIGATIONS

	2006 Shs'000	2005 Shs'000
(a) Provision for service gratuity		
Balance at the beginning of the year	557,484	613,871
Provision for the year	48,236	94,502
Paid during the year	(91,543)	(150,889)
Balance at the end of the year	514,177	557,484

The gratuity amounts are to be paid out to the defined contribution provident fund as follows:

	2006 Shs'000	2005 Shs'000
Within one year	342,785	-
After one year	171,392	557,484
	514,177	557,484

(b) Staff retirement defined benefit scheme

Contributions to the company staff retirement benefit scheme are determined by the rules of the scheme and totalled Shs 64,690,000 (2005 – Shs 42,190,000) in the year.

An actuarial valuation was last carried out as at 31 March 2004 by Alexander Forbes Financial Services (E.A.) Limited. The valuation indicated a past service deficit of Shs 34,030,000, representing a funding level of 95%. While this is above the 80% minimum funding level allowed by the Retirement Benefit Authority, to eliminate the deficit, the actuaries recommended that the employer's rate of contribution to the scheme be maintained at 14.1% of members' salaries per annum.

Valuation method Projected Unit Method

Principal assumptions:

- Rate of salary inflation	8%
- Rate of return on investments	10%

The next actuarial valuation is scheduled for 1 April 2007.

(c) Statutory contribution scheme

The company's contributions to the statutory National Social Security Fund scheme are determined by statute and totalled Shs 7,558,000 (2005 – Shs 5,349,000) in the year.

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

25 DEFERRED GRANT INCOME

	2006 Shs'000	2005 Shs'000
At the beginning of the year	84,206	94,000
Amortisation for the year	(11,605)	(9,794)
At the end of the year	72,601	84,206

The deferred grant income represents the unamortised portion of funds received for purpose of purchase of equipment under a Roads Maintenance Unit package financed by the Kenya Sugar Board. The amortisation for the year is equivalent to the depreciation charge for the equipment purchased under the grant.

26 BORROWINGS

	2006 Shs'000	2005 Shs'000
Kenya Sugar Board loans	301,553	-
Bank overdrafts	43,522	228,835
	345,075	228,835
The borrowings are repayable as follows:		
On demand or within one year	193,707	228,835
Due in the second year	151,368	-
	345,075	228,835

The loans from Kenya Sugar Board are fully guaranteed by Kenya Commercial Bank Limited.

Bank overdrafts and other banking facilities are secured by legal charges over LR Mumias Sugar Scheme/2 and fixed and floating debentures over all of the company's assets.

The effective interest rate on bank overdrafts during the year was 13.58% (2005 - 14.13%).

The company had undrawn committed banking facilities amounting to Shs 743 million (2005 – Shs 569 million). The banking facilities consist of term loans, bank overdrafts, guarantees and letters of credit.

27 TRADE AND OTHER PAYABLES

	2006 Shs'000	2005 Shs'000
Trade payables	396,516	385,572
Prepaid sales	265,580	126,169
Accruals	201,699	186,787
Out growers	153,408	162,425
Other payables	258,237	191,972
	1,275,440	1,052,925

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

28 DIVIDENDS PAYABLE

	2006 Shs'000	2005 Shs'000
At beginning of the year	108,019	77,634
Final dividend declared – 2005/2004	459,000	306,000
Interim dividend declared – 2006/2005	382,500	306,000
	949,519	689,634
Dividend paid	(772,847)	(581,615)
At the end of the year	176,672	108,019

The dividends payable relate substantially to dividends payable to farmer shareholders who had unresolved share certificate issues at the balance sheet date.

29 PROVISION FOR STAFF LEAVE PAY

	2006 Shs'000	2005 Shs'000
Balance at the beginning of the year	40,570	54,111
Write back during the year	(13,381)	(8,112)
Paid during the year	(8,750)	(5,429)
Balance at the end of the year	18,439	40,570

30 NOTES TO THE CASH FLOW STATEMENT

	2006 Shs'000	2005 Shs'000
(a) Reconciliation of operating profit to cash generated from operations		
Operating profit	2,058,530	1,798,326
Depreciation	417,826	401,354
Amortisation charge	3,481	1,643
Impairment loss on assets held for sale	59,490	23,000
Profit on disposal of equipment and assets held for sale	(13,053)	(13,691)
Foreign exchange gains/(losses)	1,148	(37,691)
Fair value loss on biological assets	142,477	3,563
Cash generated from operations before working capital changes	2,669,899	2,176,504
Increase in non-current receivables	(3,085)	(37,800)
Decrease/(increase) in inventories	254,889	(103,789)
(Increase)/decrease in trade and other receivables	(148,726)	342,582
Decrease in provision for service gratuity	(43,307)	(56,387)
Increase in trade and other payables	222,515	35,097
Decrease in provision for staff leave pay	(22,131)	(13,541)
Decrease in deferred grant income	(11,605)	(9,794)
Cash generated from operations	2,918,449	2,332,872

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

30 NOTES TO THE CASH FLOW STATEMENT (Continued)

	2006 Shs'000	2005 Shs'000
(b) Analysis of the balances of cash and cash equivalents		
Treasury bills	593,508	595,587
Short term deposits	608,141	302,903
Cash and bank balances	740,665	184,643
Bank overdrafts (Note 26)	(43,522)	(228,835)
	1,898,792	854,298

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from the date of the advance.

(c) Loans movement		
	2006 Shs'000	2005 Shs'000
At 1 July	-	-
Received	450,000	-
Repayment	(150,000)	-
Accrued interest	1,553	-
	301,553	-

31 OPERATING LEASE ARRANGEMENTS

	2006 Shs'000	2005 Shs'000
The company as lessee:		
Minimum lease payments under operating leases recognised in the income statement	26,144	11,412
At the balance sheet date, the company had outstanding commitments under operating leases, payable as follows:		
Within one year	11,908	2,190
In the second to fifth years inclusive	36,594	1,870
	48,502	4,060

Operating lease payments represent rentals payable by the company for certain of its office premises, storage facilities and cane farming. Leases are negotiated for an average term of six years and rentals are fixed for an average of one to two years.

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

32 CAPITAL COMMITMENTS

	2006 Shs'000	2005 Shs'000
Commitments at the year end for which no provision has been made in these financial statements:		
Authorised and contracted for	347,713	17,738
Authorised but not contracted for	2,887,027	816,415
	3,234,740	834,153

The capital commitments relate mainly to expenditure on phase 1 of the co-generation project, alcohol distillery, IT upgrade project and factory rehabilitation. The company intends to finance these commitments from internally generated funds, loans, overdrafts and equity sources.

33 CONTINGENT LIABILITIES

	2006 Shs'000	2005 Shs'000
Guarantee in favour of third parties	-	35,000

The guarantee was in respect of a guarantee given by the company in favour of MOCO to a financier for a loan obtained by MOCO. The loan was repaid in 2006.

A former customer has filed a claim in respect of breach of contract. A defence has been entered and the case is pending in court. The directors are of the opinion that the likely liability, if any, should not exceed the provision recognised in the financial statements.

MOCO has claimed an overcharge of interest earned by Mumias Sugar Company Limited since 1 January 1998 to date of approximately Shs 1.2 billion. The directors are of the opinion that their claim is unlikely to succeed and have, therefore, not accounted for it in these financial statements.

34 RELATED PARTY TRANSACTIONS

a) Mumias Outgrowers Company Limited (MOCO)

The company continuously transacts with MOCO, a farmers representative organ. The processes and dealings between MOCO and about 50,000 outgrower farmers contracted to supply sugar cane to Mumias Sugar Company Limited (MSC) are mostly recorded and maintained by MSC. These are all at arms length with prices negotiated between MSC and MOCO. The balances as at 30 June are reflected on notes 18 and 19.

b) Staff loans

The company operates a company car loan scheme for managerial and supervisory employees. The balance on that scheme was Shs 135,535,818 (2005 – Shs 128,163,000). The cars are registered in joint names of the company and the employees as security for the car loans.

c) Key management compensation

The remuneration of key management during the year was as follows:

	2006 Sh'000	2005 Sh'000
Salaries and other benefits	51,065	40,665

Notes to the Financial Statements

for the Year Ended 30 June 2006 (continued)

34 RELATED PARTY TRANSACTIONS (continued)

	2006 Sh'000	2005 Sh'000
d) Directors' remuneration		
Fees for services as directors	3,143	2,142
Other emoluments	46,473	42,272
	49,616	44,414

35 RISK MANAGEMENT POLICIES

The financial risk management objectives and policies are as outlined below:

Credit risk

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The credit risk on trade receivables is limited because most customers are required to provide guarantees issued by reputable banks recommended by the company.

Price risk

The company is exposed to price risks arising from changes in sugar prices. The company does not anticipate that sugar prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in sugar prices. The company reviews its outlook for sugar prices regularly in considering the need for active financial risk management.

Foreign currency risk

The company incurs foreign risks on sales, purchases and borrowings that are denominated in a currency other than Kenyan shilling. The currencies giving rise to the this risk are primarily Euros, Pounds Sterling, US Dollars and South African rand.

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its liabilities when they fall due. The company manages the maturity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that all funding obligations are met when they fall due. Management have arranged for diversified funding sources, both short term and long term, to meet the company's obligations as and when they fall due.

36 INCORPORATION

The company is incorporated and domiciled in Kenya under the Companies Act.

37 CURRENCY

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

Five Year Summmary Review

	2001/02 Shs'000	2002/03 Shs'000	2003/04 Shs'000	2004/05 Shs'000	2005/06 Shs'000
Turnover	7,847,233	7,628,937	9,792,503	10,080,174	11,657,540
Cane purchases from outgrowers	3,728,832	3,818,128	3,989,035	4,163,260	4,533,676
Profit/(loss) before taxation and exceptional items	183,300	(139,805)	1,445,042	2,073,267	2,219,889
Exceptional items	(39,093)	(105,053)	(306,492)	(229,886)	-
Profit/(loss) before taxation	144,207	(244,858)	1,138,550	1,843,381	2,219,889
Taxation	(97,563)	29,250	(347,099)	(553,451)	(693,274)
Profit/(loss) after taxation	46,644	(215,608)	791,451	1,289,930	1,526,615
Shareholders funds at period end	5,085,736	4,865,654	5,402,105	6,080,035	7,709,049
Return on capital employed	2.84%	-5.03%	21.08%	30.32%	28.94%
Number of shares, '000	510,000	510,000	510,000	510,000	510,000
Dividends	510,000	-	561,000	765,000	892,500
Dividends per share, Shs	0.1	-	1.1	1.50	1.75
Earnings/(loss) per share, Shs	0.09	(0.42)	1.55	2.53	2.99
Direct revenue to Government by way of Value Added Tax and Income Tax	1,798,321	1,890,896	2,057,967	1,536,565	2,358,878
Subsidy to farmers	246,766	311,408	393,535	313,964	324,336
Staff costs:					
Management	494,331	479,375	558,060	651,475	729,364
Skilled	407,823	483,300	625,059	383,760	497,947
Unskilled	203,911	225,728	368,993	222,891	200,810
Casual labour	53,259	36,621	31,247	38,510	35,009
Area under cane (Ha)					
Nucleus estate	3,450	3,502	3,481	3,503	3,695
Outgrowers	47,031	46,755	47,669	51,732	53,674
Cane processed (Thousand Tonnes)	1,961	2,065	2,291	2,348	2,443
Sugar produced (Thousand Tonnes)	219	237	265	269	266
Increase/(decrease) in production over previous period	0.71%	8.07%	11.39%	1.96%	(1.25%)
Number of registered farmers at period end	54,045	53,533	54,741	63,634	65,943
Number of employees at period end:					
Permanent	3,105	2,978	2,789	1,992	1,795
Seasonal	12,637	12,286	10,079	11,207	11,894
Category of permanent employees:					
Management	459	454	454	427	424
Skilled	1,482	1,427	1,522	990	977
Unskilled	1,164	1,097	813	575	394

CMA-LIBRARY

Shareholding and Directors information

for the Year Ended 30 June 2006

SHARE HOLDING INFORMATION

The top ten shareholders on the company's share register as at 31 August 2006 were as follows:

		Number of shares	Percentage holding
1	Permanent Secretary, Treasury	193,999,220	38.04
2	Kenya Commercial Bank Limited	25,500,000	5.00
3	Karim Jamal	21,196,517	4.16
4	Kanouti Trustees Limited	13,974,864	2.74
5	The Jubilee Insurance Company Ltd.	5,985,897	1.17
6	Nilesh Velji Shah	5,265,914	1.03
7	Pradeep Patani	5,220,723	1.02
8	Barclays (Kenya) Nominees Limited A/C 1853	4,341,531	0.85
9	Barclays (Kenya) Nominees Limited A/C 1256	3,926,479	0.77
10	Abdulkarim Chaturbhai Popat	3,500,000	0.69

DIRECTORS' SHAREHOLDING

The directors' direct and indirect interests in the ordinary share capital of the company as at 31 August 2006 were as follows:

	Number of shares	Percentage holding
Permanent Secretary, Treasury	193,999,220	38.04
Hon. Amos S Wako	350,000	0.07
Mr. Maurice Juma	18,750	-
Dr. Caleb W Wangia	14,040	-
Mr. Edwin S Osundwa	11,146	-
Ms. Grace K Ngala	2,000	-

40,000,000
3-5000

Proxy Form

Share Member No. _____

The Company Secretary
Mumias Sugar Company Limited
Private Bag
MUMIAS

I/We _____ of _____

Being a *Member/Members of the above named Company, hereby appoint: _____

of _____

Or failing him _____

of _____

as my/our proxy to vote for me/us on *my/our behalf at the Annual General Meeting of the Company to be held on Friday 8 December 2006 and at any adjournment thereof.

Signature(s) _____

Signed this _____ day of _____ 2006.

Notes

1. The address should be that shown in the register of members.
2. In the case of a member being a corporation, this form of proxy must be executed either under its common seal or signed on its behalf by an attorney or officer of the corporation duly authorised.
3. A person appointed to act as a proxy need not be a member of the Company.
4. In case of joint holders, the signature of any one holder will be sufficient but the names of all joint holders should be stated.

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Shareholders admission letter for MSC AGM on 8.12.06

Please complete this letter and note that this admission letter must be produced at the Annual General Meeting by you or your proxy in order to record attendance. Kindly note that only the registered shareholders or their proxy notified to the Company not later than 48 hours before the meeting will be admitted to the meeting.

Name _____

Signature _____

Share account number _____

Annual General Meeting (AGM) of Mumias Sugar Company (MSC) to be held at Tom Mboya Labour College, Ring Road Milimani, Kisumu on Friday 8th December 2006 at 11.00 a.m.

Fomu ya Uwakilishi

Nambari ya Hisa ya Mwanachama _____

Katibu wa Kampuni
Mumias Sugar Company Limited (MSC)
Private Bag
MUMIAS

Mimi/sisi _____ wa _____

*Nikiwa/Tukiwa *Mwanachama/Wanachama wa Kampuni iliyotajwa hapa juu, namteua: _____

wa _____

Au kumkosesha _____ wa _____

Kama mwakilishi * wangu/wetu *kunipigia/kutupigia kura kwa niaba * yangu/yetu katika Mkutano Mkuu wa kila Mwaka wa kampuni hii utakaofanyika mnamo Ijumaa, Decemba 8, 2006 na kuahirishwa kwokwote baadaye:

*Futa ifaavyo

Sahihi _____

Imetiwa sahihi, leo tarehe _____ Mwezi wa _____ 2006.

Fahamuo

- 1 Anwani inatakiwa iwe iliyotajwa katika rejista ya wanachama
- 2 Katika hali ambayo mwanachama atakuwa shirika, fomu hii ya uwakilishi sharti itolewe pengine chini ya chapa yake ya kawaida au kutiwa sahihi kwa niaba yake na wakili au afisa wa shirika hilo aliyeidhinishwa.
- 3 Mtu aliyeteuliwa mwakilishi hatakiwi tu awe mwanachama wa Kampuni.
- 4 Katika hali ya wamilikaji wa pamoja, sahihi ya mmilikaji yeyote inatosha lakini majina ya wamilikaji wote wa pamoja sharti yatajwe.

Kata Hapa

Barua ya kukubaliwa kwa mwenye hisa kuingia katika Mkutano Mkuu wa kila Mwaka wa MSC mnamo 8.12.2006

Tafadhali kamilisha barua hii na ufahamu kuwa barua hii ya kukubaliwa sharti itolewe katika Mkutano Mkuu wa kila Mwaka na wewe au mwakilishi wako kwa ajili ya kuandika huhudhuria. Tafadhali ufahamu kuwa wenye hisa pekee waliosajiliwa au wawakilishi wao waliothibitishwa kwa Kampuni masaa 48 kabla ya mkutano ndiyo watakoruhusiwa katika mkutano.

Jina _____

Sahihi _____

Nambari ya akaunti ya hisa _____

Mkutano Mkuu wa kila Mwaka wa Mumias Sugar Company Limited kufanyika katika Tom Mboya Labour College, Ring Road, Milimani, Kisumu, mnamo Ijumaa, Decemba 8, 2006 saa tano asubuhi.

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