

HALF- YEAR RESULTS

The directors are pleased to announce the unaudited results for the six months ended 31 December 2008.

CONDENSED INCOME STATEMENT

	6 months to 31 Dec 2008 Shs'000	6 months to 31 Dec 2007 Shs'000
GROSS SALES	6,202,941	6,756,877
LESS: TAXES AND LEVIES	<u> </u>	<u> </u>
VALUE ADDED TAX	(845,163)	(887,178)
SUGAR DEVELOPMENT LEVY	<u>(203,114)</u>	<u>(327,600)</u>
NET SALES	5,154,664 =====	5,542,099 =====
PROFIT BEFORE TAXATION	230,816	864,841
TAXATION	(68,177)	(300,540)
PROFIT AFTER TAX	<u>162,639</u>	<u>564,301</u>
RETAINED PROFIT	<u>162,639</u> =====	<u>564,301</u> =====
EARNINGS PER SHARE – BASIC & DILUTED	<u>Shs 0.11</u> =====	<u>Shs 0.37</u> =====

MUMIAS SUGAR COMPANY LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2008

	Unaudited	Audited
	31 Dec 2008	30 June 2008
	Shs'000	Shs'000
ASSETS		
Non current assets		
Property, plant and equipment	10,301,088	9,279,504
Non-current receivables and intangible assets	150,402	155,757
Development Costs	136,212	135,969
	<u>10,587,702</u>	<u>9,571,230</u>
Working capital		
Current assets	4,459,506	4,581,346
Current liabilities	(2,482,491)	(3,398,096)
Net working capital	<u>1,977,015</u>	<u>1,183,250</u>
TOTAL NET ASSETS	<u>12,564,717</u>	<u>10,754,480</u>
	=====	=====
Capital and reserves		
Share capital	3,060,000	3,060,000
Revaluation surplus	1,827,343	1,827,343
Retained earnings	3,704,793	4154,154
	<u>8,592,136</u>	<u>9,041,497</u>
Non- current liabilities		
Long term loan	2,294,901	-
Deferred income tax	1,581,089	1,655,521
Other items	95,591	57,462
	<u>3,972,581</u>	<u>1,712,983</u>
TOTAL EQUITY AND LIABILITIES	<u>12,564,717</u>	<u>10,754,480</u>
	=====	=====

**STATEMENT OF CHANGES IN EQUITY
FOR SIX MONTHS TO 31 DECEMBER 2008**

	Share Capital Shs '000	Revaluation Surplus Shs'000	Retained earnings Shs 000	Total Shs '000
At 1 July 2008	3,060,000	1,827,343	4,154,154	9,041,497
2007/8 final dividend paid			(612,000)	(612,000)
Net profit for the period	-	-	162,639	162,639
At 31 DECEMBER 2008	3,060,000	1,827,343	3,704,793	8,592,136

**CONDENSED STATEMENT OF CASH FLOWS
FOR SIX MONTHS ENDED 31 DECEMBER 2008**

	Period ended 31 Dec 2008 Shs'000	Period ended 31 Dec 2007 Shs'000
Operating Activities		
Net cash (used)/generated in operating activities	(1,173,343)	1,103,068
Investing Activities		
Additions to Property Plant and Equipment	(787,536)	(492,901)
Net Cash used in Investing Activities	(787,536)	(492,901)
Financing Activities		
Dividends paid	(571,691)	(517,335)
Loans repaid	(730,000)	-
Loans received	2,420,700	-
Net cash generated/ (used) in Investing Activities	1,119,009	(517,335)
Balance at 1 July	193,108	626,104
Balance at 31 December	(648,762)	718,936

OVERVIEW

The results for the six months ended 31 December 2008 were below expectations. The company experienced significant challenges in the period. There was low factory performance due to low cane availability arising from very heavy rains in August to October 2008 and the annual plant maintenance in August 2008. This was further exacerbated by disruption of harvesting and transport operations. Cane harvesters and cane hauliers went on strike leading to unplanned factory stoppages.

Sugar cane price was increased from 2,300 to Shs 2,450 per tonne in the period. This very high cost of cane continues to be a challenge as it constitutes about 60% of the cost of production.

Inflation has been on the increase especially with the high prices of crude oil earlier in the period which significantly increased transport costs for sugar cane and distribution cost of the finished sugar.

Other inputs such as fertilisers and packaging materials which are also petroleum based have been at an all time high resulting in high operational costs. The depreciation of the Kenya shilling has resulted in high costs of spares and other imported goods and services.

OPERATIONS

Sugar cane crushed was 961,596 tonnes which was 21% lower than the 1,220,031 tonnes in the previous year. Sugar produced was 104,686 tonnes which is 21% below the 132,838 tonnes produced last year as a result of low quantity of cane crushed and factory plant availability.

The benefits from the second phase of factory process house expansion completed in the last financial year to increase the installed capacity to 300,000 tonnes of sugar per annum are yet to be realized. De-bottlenecking of the plant continues to be an area of priority to achieve higher throughputs.

RESULTS

Gross sales were Shs 6.20 billion which was 8% below the Shs 6.8 billion achieved over the same period last year.

Profit before tax of Shs 231 million was 73% below the Shs 865 million achieved last year.

Earnings Per Share (EPS) is Shs 0.11 compared to Shs 0.37 in the same period last year, which is a 70% decline.

DIVIDEND

The Directors do not recommend the payment of an interim dividend.

OUTLOOK

The global sugar production has declined with a deficit projected for the 2008/9 cycle. However, demand will decline slightly due to global economic downturns. The current global price of USD 360 / metric tonne is still a challenge to high cost COMESA producers and exporters. The depreciation of the Kenya Shilling and increased freight costs will increase the cost of imported sugar. Local demand will be adversely affected from the food shortage and lower disposable incomes.

The company is in the process of installing a modern state of the art packaging plant which is expected to increase the level of pre-packed sugar to 70% of the sugar produced. This will enable the company to remain competitive. However, competition still remains high especially from the COMESA duty free quota of 260,000 tonnes for the year 2009/10. Any additional imports above the quota in the year will also attract a reduced duty from 100% to 70%. This is following the COMESA safeguard measures extension for Kenya up to 2012.

The co-generation project under construction is expected to be completed and commissioned by 31 March 2009. This will expand the company's power generating capacity of surplus export to the national grid from 3MW to 26MW as from April 2009. The project cost is approximately US\$ 54 million. This has been financed through internal sources and a long term external debt.

Inflationary pressures will persist especially from the current high inflation rate of about 26% and exchange rate arising from depreciation of the Kenya Shilling. Cost reduction measures are being implemented to contain the high costs.

The Board of Directors is expectant of a significantly improved performance in the second half of this financial year and is cautiously optimistic that the full year results will be comparable to that achieved last year.

BY ORDER OF THE BOARD



Emily K. Otieno
Company Secretary
29 January 2009