

ABRIDGED AUDITED FINANCIAL STATEMENTS 30 JUNE 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2018

	2018 Shs'000	2017 Shs'000
Revenue	1,379,223	2,091,751
Cost of sales	(3,893,965)	(5,279,897)
Gross loss	(2,514,742)	(3,188,146)
Fair value gain on biological assets	17,967	97,157
Other (loss)/income	(29,874)	16,756
Marketing and distribution costs	(61,720)	(56,617)
Administrative expenses	(1,923,628)	(2,329,932)
Impairment of assets	(4,923,776)	(2,572,703)
Interest income	3,352	2,480
Finance costs	(679,541)	(1,500,153)
Loss before tax expense	(10,111,962)	(9,531,178)
Tax (expense)/income	(5,029,291)	2,757,244
Loss for the year attributable to the owners of the company	(15,141,253)	(6,773,934)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligations	(615)	(42,071)
Deferred tax relating to remeasurement of defined benefit obligations	185	12,621
Other comprehensive loss for the year, net of tax	(430)	(29,450)
Total comprehensive loss for the year attributable to the owners of the company	(15,141,683)	(6,803,384)
Earnings per share	Shs	Shs
Loss per share - basic and diluted	(9.90)	(4.43)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	2018 Shs'000	2017 Shs'000
EQUITY		
Share capital	3,060,000	3,060,000
Revaluation surplus	5,732,301	6,464,988
Retained earnings	(23,177,404)	(8,768,408)
Total equity	(14,385,103)	756,580
Non-current liabilities		
Borrowings	4,806,469	6,286,941
Deferred income tax	3,658,386	-
Provision for service gratuity	4,446	7,909
Deferred grant income	18,420	18,420
	8,487,721	6,313,270
	(5,879,382)	7,069,850

REPRESENTED BY

	2018 Shs'000	2017 Shs'000
Non-current assets		
Property, plant and equipment	14,830,751	20,531,484
Intangible assets	7,426	119,647
Deferred income tax	23,618	1,366,556
Non-current staff receivables	245,572	36,159
Retirement benefit asset	15,107,367	22,230,804
Current assets		
Inventories	325,709	408,468
Growing produce	19,220	103,966
Trade and other receivables	107,858	1,194,017
Current tax recoverable	141,076	145,071
Cash at bank and in hand	628,242	8,769
	1,172,405	1,860,291
Current liabilities		
Trade and other payables	13,269,042	11,174,555
Borrowings	7,789,541	5,330,062
Provision for service gratuity	139,150	81,307
Unclaimed dividends	435,258	435,321
	21,632,991	17,021,245
Net current liabilities	(21,064,749)	(15,160,954)
	(5,897,382)	7,069,850

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2018

	Share capital Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Total Shs'000
At 1st July 2016				
As restated	3,060,000	6,845,313	(2,345,349)	7,559,964
Changes in equity in 2017				
Loss for the year	-	-	(6,773,934)	(6,773,934)
Other comprehensive loss for the year	-	-	(29,450)	(29,450)
Transfer of excess depreciation (net of deferred tax)	-	(380,325)	380,325	-
	3,060,000	6,464,988	(8,768,408)	756,580
At 30th June 2017	3,060,000	6,464,988	(8,768,408)	756,580
At 1st July 2018	3,060,000	6,464,988	(8,768,408)	756,580
Changes in equity in 2018				
Loss for the year	-	-	(15,141,253)	(15,141,253)
Other comprehensive income for the year	-	-	(430)	(430)
Transfer of excess depreciation (net of deferred tax)	-	(732,687)	732,687	-
	3,060,000	5,732,301	(23,177,404)	(14,385,103)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2018

	2018 Shs'000	2017 Shs'000
Cash flows from operating activities		
Loss for the year	(15,141,253)	(6,773,934)
Adjustments for:		
Tax income	5,029,291	(2,757,244)
Gain on fair value of growing produce	(17,967)	(97,157)
Decrease of growing produce due to harvest	102,715	142,898
Bearer plants written off	17,700	-
Depreciation of property, plant and equipment	1,630,012	1,670,233
Write off property, plant and equipment	1,632	-
Amortization of intangible assets	8,367	10,398
Loss on disposal of property, plant and equipment	47,469	(577)
Foreign exchange gains on borrowings	(92,468)	66,450
Impairment of property, plant and equipment	4,051,592	2,336,904
Impairment of CWIP - intangible assets	103,854	-
Increase in provision for service gratuity	54,380	18,109
Increase in retirement benefit asset	(69,228)	(54,200)
Interest income	(3,352)	(2,480)
Interest and financial charges	768,613	1,448,184
Operating loss before working capital changes	(3,508,645)	(3,990,396)
(Decrease)/increase in:		
Non-current receivables	12,541	(5,014)
Inventories	82,759	81,343
Trade and other receivables	1,086,179	(145,016)
Increase in:		
Trade and other payables	2,094,487	3,145,224
Cash used in operations	(232,679)	(913,860)
Interest income	3,352	2,480
Interest paid	(296,878)	(405,805)
Income tax paid	(168)	(16)
Net cash used in operating activities	(526,373)	(1,317,201)
Cash flows from investing activities		
Purchase of property, plant and equipment	(48,427)	(19,966)
Proceeds on disposal of property, plant and equipment	755	578
Net cash used in investing activities	(47,672)	(19,388)
Cash flows from financing activities		
Proceeds from long-term borrowings	512,435	839,244
Repayments of long-term borrowings	-	(4,466)
Dividends paid	(83)	(4,376)
Net cash generated from financing activities	512,352	830,402
Net decrease in cash and cash equivalents	(61,733)	(506,187)
Cash and cash equivalents at start of year	(2,700,755)	(2,194,548)
Cash and cash equivalents at end of year	(2,762,408)	(2,700,755)

BASIS OF PREPARATION

The condensed financial statements for the year ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards and audited by RSM Eastern Africa.

RESULTS OVERVIEW

During the year, the Company suffered a net loss after tax of Kshs 15.1 billion against the previous year's loss of Kshs 6.8 billion. The steep rise in loss was mainly driven by a 101% increase in impairment charges to our plant and machinery of Kshs 4.9 billion from Kshs 2.6 billion charged last year, the de-recognition of deferred tax assets leading to a tax expense of Kshs 5 billion from a tax income position of Kshs 2.7 billion realized last year and low production following plant shut downs in the 1st and 4th quarters of the financial year.

The acute cane shortage significantly hindered the plant throughputs with cane delivered dropping by 32% to 283,435 tons compared to 417,347 tons last financial year. Sugar produced was 14,622 tons, a drop of 8% against 15,891 tons achieved last year. The distillery yielded 3.2 million litres of ENA compared to 6.9 million last year, while the Cogen plant exported 3,581MW to the national grid.

Turnover for the year reduced to Kshs 1.37 billion as compared to previous year Kshs 2.09 billion mainly because of the reduced sales volumes across the company's products following the long closure of the factory.

Focus on prudent cost management saw the administrative costs reduce by 17% from Kshs 2.3 billion to Kshs 1.9 billion in the year.

FUTURE OUTLOOK

Our key stakeholders have continued supporting the company's turnaround initiatives. The Government of Kenya has settled over Kshs 0.7 billion owed to Mumias Sugar farmers. This is expected to have a positive impact on future cane availability. In addition, the ongoing Government of Kenya's concerted efforts to crackdown on illegally imported sugar and ethanol and the push to resume cane zoning are all very encouraging initiatives that will greatly support MSC's turnaround strategy and help revive the ailing sugar sector.

Discussions with the lenders' to restructure the debts and extend the standstill arrangements are ongoing to obtain much needed financial relief. The Board is seeking to enlist the support of the lenders to identify a suitable and competent strategic partner to enhance the financial capabilities to enable full business recovery.


The Board approved the implementation of a five-year strategic plan 2018/2022 focussed on increasing plant productivity, staff rightsizing, leasing of non-core assets and enhancing cane supply. These coupled with improved power output returns and the independent operation of the distillery should see the company's fortunes improve in the coming years.

The Board of Directors view the Company's outlook as positive and that the on-going initiatives will stabilize and revitalize the Company.

DIVIDEND

The directors do not recommend payment of a dividend.

BY ORDER OF THE BOARD


DR. KENNEDY NGUMBAU, HSC
CHAIRMAN

NOTICE OF THE ANNUAL GENERAL MEETING (AGM) 2018

NOTICE IS HEREBY GIVEN to the shareholders of Mumias Sugar Company Limited that the 47th Annual General Meeting of the company will be held in **Kisumu on Friday 5th April, 2019 at Tom Mboya Labour College at 10.00 am** to conduct the following business:

AGENDA

- 1. Constitution of the meeting**
 - a) To read the notice convening the Meeting and determine if a quorum is present.
 - b) To confirm the minutes of the 46th Annual General Meeting held on 22nd December, 2017.
- 2. Ordinary Business**
 - a) Report and Financial Statements for the year ended 30th June, 2018**
 To receive, consider and if approved, adopt the Financial Statements for the year ended 30th June, 2018 together with the Directors and Auditors Reports thereon.
 - b) Election of Directors:**
 - i. Mr. Henry Rotich, Dr. Kennedy Ngumbau, Ms Joanne Tabuke, and Ms Naomi Cidi are due to retire by rotation in accordance with article 113 of the company's Articles of Association and being eligible offer themselves for re-election.
 - ii. Mr. Nelson Orgut, Mrs. Nancy Kamichina and Mrs. Patricia A. O Adala resigned from the board in the course of the year and shareholders will elect suitable Directors to fill these positions.
 - iii. Shareholders will elect suitable Directors to fill these vacant positions.
 In accordance with the provisions of section 769 of the Companies Act, 2015 the following directors, being members of Board Risk, Audit and Compliance Committee be elected to continue to serve as members of the said committee
 - i. Mr. John Mainia
 - ii. Mr. Abraham Koech
 - iii. Mrs. Joanne Tabuke
 - c) Remuneration of Directors**
 To consider and approve the Directors' fees for the year ended 30th June 2017
 - d) Appointment and remuneration of Auditors**
 To note that the Auditors Messrs R.S.M Eastern Africa being eligible, continue in office in accordance with section 712(2) of the Companies Act 2015 and to authorize the directors to fix their remuneration.

BY ORDER OF THE BOARD

Lynette Okiro
 Company Secretary
 Date: 12th March 2019.

Note:

1. Any member may by notice duly signed by him or her and delivered to the Secretary, Office of the Company Secretary, Mumias Sugar Company Limited, Headquarters, Off Bungoma-Kakamega Road, Mumias, P.O Box Private Bag, Mumias, not less than 3 and not more than 21 days before the date appointed for the Annual General Meeting, give notice of his intention to propose any other person for election as director to the Board, such notice is to be accompanied by a notice signed by the person proposed indicating his or her willingness to be elected. The proposed person need not be a member of the company.
2. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. A form of proxy may be obtained from the Company's web site or from the company's share registrars. To be valid, a form of proxy must be duly completed and signed by the member and must either be lodged at the offices of the company's share registrars, or be posted, so as to reach Image Registrars Limited, 5th Floor, Barclays Plaza, Loita Street, P.O. Box 9287, Postal Code 00100 G.P.O NAIROBI not later than Wednesday 3rd April, 2019.

If the appointer is a corporation or Government office, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such corporation or Government office.

3. In accordance with the article 155 of the company's Articles of Association, a copy of the entire Annual Report and Accounts, a copy of this notice and a proxy form may be viewed on and obtained from the Company's web site at www.mumias-sugar.com An abridged version of the statement of Financial Position, Statement of Profit or Loss and other comprehensive income, statement of changes of equity and statement of cash flow for the year ended 30th June 2018 have been published in two daily newspaper with nationwide circulation.