

## PRESS STATEMENT

The Company's attention is drawn to a story carried by a section of the press on 29<sup>th</sup> November, 2013 regarding the financial position of the Company. Management wishes to clarify as follows:

That the financial statements that were being reported by the Auditor General covered the period between 30<sup>th</sup> June, 2001 to 30<sup>th</sup> June 2012.

Therefore some items that were reported therein were highlighted in earlier years and have since been addressed.

An issue in point is the case of incomplete records including the absence of cash books. This was reported in the 2004/05 financial statements.

At that time the company was changing its computer programmes and it faced normal challenges associated with system change over. The new system stabilized and there are no more challenges being experienced.

Notwithstanding the foregoing, other issues stated are as follows:

### **COMPANY INSOLVENCY**

At the inception of the company, the debt equity ratio was 4:1 and the grace period for the loan repayment was only one year. This implies that right from the start of operations, the company was to generate enough funds to finance operations but also to repay loans and accrued interest. Further in 1990/93, the company undertook an expansion programme from the current 3000 TCD to 7000 TCD which was financed by Arkel International and guaranteed by the Government. However, this expansion programme was not completed with the total cost of the project being a sunk cost.

The interests on these accumulated loans made it difficult for the company to make profits in the years prior to 2004. It is in this period that the company accumulated losses amounting to Sh.17 billion and therefore causing the company's balance sheet to have a negative equity.

However, from 2004-2011, the company consistently made profit peaking off at Sh.428 million in 2009. The profit for 2012/13 was Sh.226 million, but at the moment, the company like any other companies in the industry is faced by challenges caused by declining sugar prices.

The company has however put in place strategies that will make it remain profitable; these include installation of efficiency enhancing machinery at the factory, increasing market share and a reduction of costs of production. Some of the projects undertaken in the last three years and ongoing are in areas of extraction, power utilization and environmental improvement at a cost of Sh.2.2 billion which are being financed by internally generated funds.

The company could not have achieved the above without the support of our valued stakeholders. To reciprocate this support, the company has paid Sh.3.6 billion to the exchequer in terms of VAT and Sugar Development Levy in the last three years. The company has no tax arrears at the moment.

Despite the hard times occasioned by declining sugar prices, the company continues to meet its financial operations albeit with delays on some occasions and we sincerely thank our suppliers who continue to supply our new orders during these challenging times.

The Government is currently committed to restructure the company's balance sheet and privatize the company which will enable expansion, modernization and diversification.

**Signed**  
**MANAGING DIRECTOR**  
**NZOIA SUGAR COMPANY**

