

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

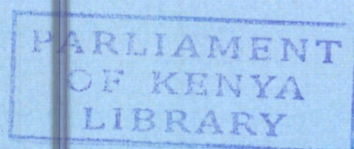
OF

THE AUDITOR-GENERAL

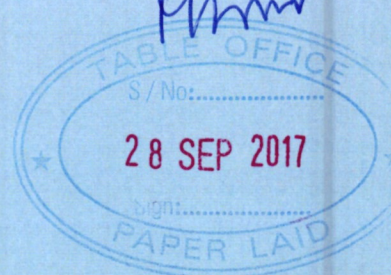
ON

THE FINANCIAL STATEMENTS OF
AGRO-CHEMICAL AND FOOD
COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE 2016



Paper Laid
By Hon. A. Suske, MP (Lom)
on Tuesday, 28.09.17 (pm)
Mmm





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

22 JUN 2017

RECEIVED

AGRO-CHEMICAL AND FOOD COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2016

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)



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**REPORTS & FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30TH JUNE 2016**

**AGRO CHEMICAL AND
FOOD COMPANY LTD**



COMPANY INFORMATION

DIRECTORS DURING THE YEAR ENDED 30TH JUNE 2016

ORGANISATION

Agricultural Deveopment Corporation

Agricultural Deveopment Corporation
Industrial and Commercial development Corporation
Industrial and Commercial development Corporation
International Investment Corporation
International Investment Corporation

Ministry of Agriculture, Livestock & Fisheries
(State Department of Agriculture)P.S

The National Treasury C.S.

**Resident Director &
Chief Executive:**

Registered Office:

Jeevan Bharati Building, 7th Floor
Harambee Avenue
P.O. Box 41175-00100
NAIROBI

Managing Agent:

Mehta Group Management Limited
Peponi Plaza, 1st Floor
Peponi Road
P.O. Box 14692-00800 Westlands
NAIROBI

NAME

Mr. Richard K. Aiyabei –
Chairman (Appointed on
27.01.2016)
Dr. Andrew K. Tuimur
(Chairman)
(Resigned on 17.12.2015)

Mr. Maxwel Mugonyi
Mr. Joseph C. Mwaura
Mr. Dismas J.O. Oyioko, HSC
Mr. Suresh C. Sharma
Mr. Nanalal P. Sheth,
(Alternate to Mr. M.N.
Mehta)

(Alternate: Mr Abraham
Barno)

(Alternate: Mrs. Beatrice
Gathirwa replaced on
14.10.2015)

(Alternate: Mr. Paul Kiagu
Appointed on 14.10.2015)

Mr. Ashok Agrawal

**REPORTS & FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30TH JUNE 2016**

**AGRO CHEMICAL AND
FOOD COMPANY LTD**



Advocates:

Staussi & Asunah Advocates
P.O. Box 3140-40100
KISUMU

Theuri Wanjohi & Co. Advocates
P.O. Box 6502-00100
NAIROBI

Auditors:

Auditor' General
Kenya National Audit Office
P.O. Box 30084-00100
NAIROBI

Bankers:

National Bank of Kenya Limited
Barclays Bank of Kenya Limited
Kenya Commercial Bank Limited

Company Secretary:

Mr. Solomon O. Awino, CPS (Kenya)
P.O. Box 18-40107
MUHORONI

Senior Executives:

Mr. Edwin O. Owiti	-	Financial Controller
Mr. Caleb O. Oguya	-	Marketing Manager
Mr. Joseph N. Njoroge	-	Works Manager



VISION AND MISSION STATEMENTS

OUR VISION

To be a global leader in the production and marketing of diversified range of a quality spirits, yeast and related products.

OUR MISSION

To produce and market a wide range of world class products through a cost effective, innovative and environmentally friendly technologies, satisfying the customer needs, maximizing shareholders returns and meeting employees aspirations.



BOARD OF DIRECTORS

FULL NAMES OF CHAIRMAN, CEO & BOARD OF DIRECTORS	DESIGNATION (e.g. CHAIRMAN, CEO, MEMBER)	DATE OF APPOINT- MENT	ACADEMIC PROFESSIONAL QUALIFICATIONS	EXPERIENCE (YEARS WITH ACFC)
MR. RICHARD K. AIYABEI	CHAIRMAN	27.01.2016	BSC, Agric, M.Sc. in Agronomy, Dip. Farm Engineering	1
MR. MAXWELL MUGONYI	MEMBER	10.04.2014	B. Com (Accounting) , MBA, (CPAK)	2
MR. ASHOK AGRAWAL	CEO	01.11.2011	B.Tech. (Chem. Engineering)	6
MR. J.C. MWAURA	MEMBER	20.01.2006	B.Com. (Accounting) CPA(K)	11
MR. D.J.O. OYIEKO	MEMBER	01.07.2011	B.Com (Accounting), MSc (Finance)	6
MR. M.N. MEHTA	MEMBER	15.12.1982	Entrepreneur/Busine ss Executive	35
MR. S.C. SHARMA	MEMBER	26.07.1994	B.Sc.A.N.S., F.R.S.C.(London), Chartered Chemist (London). Chartered Scientist(London). F.I.E. Chartered Engineer(India). M.Am Chem Soc (U.S.A)	23
MR. N.P. SHETH	MEMBER	18.07.2009	Barrister of Law, Advocate	8
MR.ABRAHAM BARNO	MEMBER	14.07.2014	B.Sc. Agric, MSc. (Agric Rural Dev.)	2
MR. PAUL KIAGU	MEMBER	18.11.2015	B.A (Econs) M.sc (Econs)	1



SENIOR EXECUTIVES

1.	ASHOK AGRAWAL	CHIEF EXECUTIVE OFFICER B. Tech. (Chem. Engineering)
2.	OWITI EDWIN OWINO	FINANCIAL CONTROLLER (B.ED , CPA,K)
3.	NJOROGE JOSEPH NGURE	WORKS MANAGER (Bsc FOOD TECHNOLOGY, MBA)
4.	OGUYA CALEB ODHIAMBO	MARKETING MANAGER (Bsc.,DIP(MICROBIO) MBA (M.S.K)
5.	AWINO SOLOMON OKEYO	COMPANY SECRETARY (LLB, CPS)



CHAIRMAN'S REPORT FOR THE YEAR ENDED 30TH JUNE 2016



It is my pleasure to present the Annual Report and financial statements of ACFC for the year ended 30th June 2016.

SUMMARISED OPERATING RESULTS

The Company's operations mainly depend on the quantity of molasses supplied by sugar companies. The Company received 81,786 tons (2014/2015: 76,384) of molasses against a budgeted quantity of 75,000 tons. I wish to thank management for the efforts and strategies put in place to ensure that the Company got adequate supply of molasses and the sugar factories for ensuring availability of the product.

The Company produced 16.560 million (2014/2015: 15.383 million) litres of alcohol against budgeted quantity of 15.55 million litres. Active Dry Yeast (ADY) production was 266 tons (2014/2015: 509 tons) against a budget of 650 tons representing a decrease of 384 tons against the target. The production of ADY was way below the target mainly due to the effects of the Alcoholic Drinks and Control Act 2010 leading to inadequate demand.

Wet Yeast production was 782 tons (2014/2015: 669 tons) against a budget of 1,000 tons representing a decrease of 218 tons below the target. During the current year the Company produced 15,045 cartons of "Patriot" bottled spirits and 191 tons of Carbon dioxide.

The Company realized a turnover of Kshs. 1,853.448 million (2014/2015 Kshs. 1,766.928 million) against the budget of Kshs.2,134.000 million.

The highlights of the overall operating results for the year under review compared to budget are as tabulated below:



FINANCIAL HIGHLIGHTS

	2015-2016			2014-2015			2013-2014	
PRODUCTION	BUDGET	ACTUAL	% ACTUAL BUDGET	BUDGET '000'	ACTUAL '000'	% Actual Budget	BUDGET	ACTUAL
Alcohol (Lts. 000)	15,550	16,560	106%	15,200	15,383	101%	15,520	16,435
Yeast (Tons)	650	266	41%	800	509	64%	1000	511
Wet Yeast (Tons)	1,000	782	78%	1,000	669	67%	1,300	876
SALES:								
Alcohol (Lts 000).	15,550	16,573	107%	15,200	14,803	97%	15,520	16,255
Yeast(Tons)	650	277	43%	800	517	65%	1,000	489
Wet Yeast (Tons)	1,000	772	77%	1,000	669	67%	1,300	876
FINANCIAL INDICATORS:								
Sales Turnover (Kshs.1000)	2,134,000	1,853,448	87%	2,542,200	1,766,928	70%	2,257,450	1,801,097
Other Income (Kshs. 1000)	68,000	79,884	117%	37,000	67,382	180%	37,500	62,082
GROSS REVENUE (Kshs. 1000)	2,202,000	1,933.332	88%	2,579,200	1,834,310	71%	2,294,950	1,863,179
Operating Profit Before Interest (Kshs. 1000)	356,298	538,632	151%	533,195	300,315	56%	525,953	407,809
Interest on loans	293,770	280,087	95%	332,926	287,119	86%	347,665	309,051
Net Profit (Loss)	62,598	258,545	413%	200,269	13,196	7%	178,288	98,758
Corporate tax 30%		30,833			13,397			
Net Profit (Loss) After Tax		227,711		200,269	(201)		178,288	98,758

Total sales turnover for the year under review was Kshs. 1,853,448 million compared to Kshs. 1,766,928 million in the previous year. Gross revenue includes sales turnover and other income i.e. interest on short-term deposits, sale of scrap and rent paid by employees. The gross revenue for the period was Kshs. 1,933,332 million compared to Kshs. 1,834,310 million last year. Operating profit before loan interest was Kshs. 538,632 million compared to Kshs. 300,316 million in 2014/2015. After charging loan interest of Kshs. 280,087 million (2014/2015: 287,119 million) the Company registered an overall net profit of Kshs. 258,545 million compared to a net profit of kshs. 13,196 million in 2014/2015. After Charging Corporate tax of Kshs 30,833 million the Company registered a profit of Kshs 227,711 million.



ACKNOWLEDGEMENT

May I acknowledge the commitment and dedication of our employees who have continued to perform their duties with skill, loyalty and team spirit to enable the Company achieve such a milestone.

May I also acknowledge the vital role played by the Ministry of Agriculture Livestock and Fisheries (State Department of Agriculture), The National Treasury, Agricultural Fisheries and Food Authority (AFFA) and Sugar companies for their continued guidance and support.

FUTURE PROSPECTS

The future prospects depend on the quantity of molasses that the Company can obtain from sugar companies. Our continued appeal to the sugar companies for affordable molasses price remains on course. When the Company is finally privatized and strategic alliances entered into with sugar companies, this dream will surely be realized.

During the year, the Company experienced challenges with respect to its diversification initiatives of Carbon dioxide and spirit bottling. The bottlenecks have been overcome and thus greater profitability is expected in the coming years.

Similarly the Company has entered into a spirit bottling and packaging contract with other parties and the results will soon be forthcoming.

CONCLUSION

My sincere appreciation goes to all my colleagues on the Board for their tireless devotion and valued guidance. I look forward to similar enthusiastic and co-operation in the future. I also wish to extend my sincere appreciation to the management and the staff of ACFC for their efforts and feel confident that they will work even harder and smarter to improve performance of the Company in the coming years.

MR. RICHARD K. AIYABEI
CHAIRMAN

September 28, 2016



DIRECTORS' REPORT

The Directors present their report and the statement of financial position, statement of changes in equity for the year ended 30th June 2016.

Since the beginning of the year, no director has received or become entitled to receive a benefit which is to be disclosed, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

Principal Activities:

The Company produces Extra Neutral Spirit, Kenya Methylated Spirit, Industrial Methylated Spirit, Active Dry Yeast and fresh Wet yeast from sugar cane molasses for both local and export markets. The company also produces bottled spirits and carbon dioxide.

Results:

During the year 2015/2016, the Company produced 16.560 million litres of alcohol, 266 tons of Active Dry Yeast, 782 tons of Wet Yeast and realized a turnover of Kshs. 1,853,448 million (2014/2015: 1,766,928 million). The operating profit before interest on loans was Kshs. 538,632,319 (2014/2015: Kshs. 300,315,550). However after charging interest on loan of Kshs. 280,086,942 (2014/2015: Kshs. 287,119,484), the Company registered a net profit of Kshs. 258,545,376 (2014/2015: Kshs. 13,196,065). After charging corporate tax of Kshs. 30,834,032 (2014/2015: Kshs. 13,397,341) the company registered a profit of Kshs. 227,711,344 (2014/2015: a loss of Kshs. 201,276).

Dividends:

The Directors do not recommend the payment of dividends in view of the cumulative loss position.

Auditors:

The Statutory auditor of the company is the Auditor General in accordance with section 48 of the Public Audit Act, 2015.



CORPORATE GOVERNANCE STATEMENT

Agro-Chemical and Food Company Limited (ACFC) is committed to good corporate governance and as such conducts its operations in accordance with internationally accepted principles of good corporate governance. The Company will provide timely and reliable information on its activities, structure, financial situation and performance to all shareholders.

Role and Responsibilities of Board of Directors

The Board formulates policies and strategies that enhance transparency and accountability. The Board provides the overall strategic guidance to the Company and is accountable to shareholders and other stakeholders. The day to day management of the Company has been delegated to the Resident Director & Chief Executive (RD&CE). However the Board retains the overall responsibility for the Company's performance in financial, compliance, monitoring and operational areas. Specific responsibilities of the Board include:

- a. reviewing and approving strategic plans, internal control and compliance, codes of conduct, financial reporting and legal compliance
- b. reviewing and approving major capital expenditure
- c. approving the Company's financial and accounting policies and financial statements

Board Composition:

The Board of ACFC is composed of nine directors representing the three shareholders viz, ADC, two directors, ICDC, two directors, IIC, three directors, representative of P.S, Ministry of Agriculture, Livestock and Fisheries (State Department of Agriculture) and representative of C.S., The National Treasury. Therefore, the Company Directors are not elected but are representatives of institutions by virtue of their respective offices.

As per the provisions of the Memorandum and Articles of Association of the Company, the Board Chairman is the Managing Director of ADC, while the management is by The Mehta Group, through a management agreement with the Company.

The Chairman is responsible for managing the Board and providing leadership to the Company while the RD&CE is responsible to the Board for running of the Company in accordance with instructions given by the Board. The RD&CE implements Board decisions and instructions with the assistance of the management team.

Board Meetings:

The Board meets regularly and at least four times a year to, amongst other things, agree on the Company's objectives and strategies to realize the objectives, review



performance against agreed targets, consider and approve the annual and interim financial statements and to discuss other matters of strategic importance to the Company. Senior management of the Company attends Board meetings by invitation, whenever necessary.

Board Committees:

For effective running of the affairs of the Company, the Board has delegated part of its responsibilities to standing committees. The Committees operate under clearly defined mandates which spell out their responsibilities, scope of authority and procedures for reporting to the Board. The Board has three standing committees,

a) Audit and Risk Committee

The purpose of this Committee is to review the systems established to ensure sound public financial management and internal controls, risk management policies as well as compliance with policies, laws, regulations, procedures, plans and ethics.

b) Staff and Finance Committee

The purpose of the Committee is to oversee staff and finance matters of the Company, which involves employees' conditions and remuneration policy, budgets, procurement and performance contracts.

c) Technical and Commercial Committee

The purpose of the Committee is to assist the Board in developing and managing a framework for implementing the Company's core functions of producing and marketing its products by providing adequate resources and ensuring that such resources are effectively utilized in line with the Company's mandate.

Conduct of Business and performance reporting:

The business of the Company is conducted in accordance with carefully formulated strategies, budgets and business plans which set out clear objectives. Performance against the objectives is reviewed and discussed by the management team. Any issues arising from these objectives are discussed by the Board Committees, which are ultimately reported to the Board. This is aimed at ensuring close monitoring of performance trends, forecasts as well as actual performance against budgets.



CORPORATE SOCIAL RESPONSIBILITY

Agro-Chemical and Food Company Limited (ACFC) has continued in active participation in various projects as per our Corporate Social Responsibility (CSR) policy. During the year the Company rehabilitated the old leaking roof at the Muhoroni sub County Hospital in Muhoroni town besides sponsoring the Company Football club in the Football Kenya Federation second tier National Super League.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The 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 each financial year and the operating results of the Company for that year. It also requires that the Directors to ensure that the company keeps proper accounting records which disclose, with reasonable accuracy at any one time the financial position of the Company. They are also responsible for safe guarding the assets of the Company.

The Directors are responsible for the preparation and fair presentation of these financial statements. This responsibility includes; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan 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 which 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.

This statement was approved by the Board of Directors on September 28, 2016 and signed on its behalf by:

MR. RICHARD K. AIYABEI
CHAIRMAN

JOSEPH C. MWAURA
DIRECTOR



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON AGRO-CHEMICAL AND FOOD COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Agro-Chemical and Food Company Limited set out on pages 15 to 42, which comprise the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of section 47 of the Public Audit Act, 2015.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The Audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes the appropriateness of the accounting

Report of the Auditor-General on the Financial Statements of Agro-Chemical and Food Company Limited for the year ended 30 June 2016

policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Going Concern

Although the Company made a profit of Kshs.227,711,344 which reduced its accumulated deficit from Kshs.6,802,260,465 as at 30 June 2015 to Kshs.6,574,549,121 as at 30 June 2016, the current liabilities of Kshs.9,042,987,816 however exceeded current assets of Kshs.1,930,079,620 by Kshs.7,112,908,196 as at 30 June 2016. This situation indicates that the Company is facing financial challenges. Therefore the financial statements have been prepared on a going-concern basis on the assumption that the Company will continue to receive financial support from the Government, creditors and bankers.

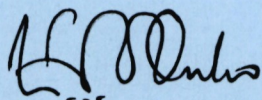
Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Agro-Chemical and Food Company Limited as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Kenyan Companies Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, I report based on my audit that;

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit and;
- ii. In my opinion , proper books of account have been kept by the Company, so far as appears from my examination of those books; and
- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



FCPA Edward R.O.Ouko, CBS
AUDITOR-GENERAL

Nairobi

06 July 2017



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2016**

	Notes	2016 Kshs	2015 Kshs
Revenue	5	1,853,448,405	1,766,928,436
Cost of Sales	6	1,042,343,717	1,204,979,804
Gross Profit		811,104,688	561,948,633
Other Income	7	26,940,864	16,507,954
Finance Income	8	52,942,752	50,874,391
		890,988,304	629,330,978
Costs			
Administrative costs	9	352,404,063	328,952,458
Finance Costs	10	280,038,866	287,182,455
Total Costs		632,442,928	616,134,913
Net Profit / (Loss) Before Taxation		258,545,376	13,196,065
Taxation Previous Year	11	17,046,879	13,397,341
Taxation Current Year	11	13,787,153	-
Net Profit / Loss after tax		227,711,344	(201,276)



STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2016

		2015-2016	Restated 2014-2015
		KSHS	KSHS
ASSETS			
NON-CURRENT ASSETS	NOTES	(12 Months)	(12 Months)
Property, Plant and Equipment	12	2,297,843,353	2,345,275,2
Intangible Assets	13	18,905,754	14,847,7
CURRENT ASSETS			
Inventories and Work In Progress	14	190,887,118	230,973,5
Receivables	15	513,038,433	354,591,9
Cash and cash equivalents	16	1,226,154,069	759,290,2
		1,930,079,620	1,344,855,7
TOTAL ASSETS		4,246,828,726	3,704,978,8
EQUITY			
Share Capital	17	60,000,000	60,000,0
Capital Reserves		1,718,390,029	1,718,390,0
Accumulated deficit		(6,574,549,120)	(6,802,260,46
TOTAL EQUITY		(4,796,159,091)	(5,023,870,43
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	18	315,594,439	137,862,1
Provisions	19	25,603,656	23,712,8
Loans	20	8,683,963,908	8,553,876,9
Tax Payable	21	17,825,814	13,397,3
TOTAL LIABILITIES		9,042,987,816	8,728,849,2
TOTAL EQUITY AND LIABILITIES		4,246,828,725	3,704,978,81

The financial Statements on pages 15 to 41 to were approved by the Board of Directors on September , 28 2016 and were signed on their behalf by:



STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2015	Share Capital	Capital Reserve	Revenue Reserves	Totals
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
As at 1st July 2014	60,000,000	1,718,390,029	(6,802,059,189)	(5,023,669,160)
Profit for the year	-	-	(201,276)	(201,276)
As at 30th June 2015	60,000,000	1,718,390,029	(6,802,260,465)	(5,023,870,436)
As at 1st July 2015	60,000,000	1,718,390,029	(6,802,260,465)	(5,023,870,436)
Profit for the year	-	-	227,711,344	227,711,344
As at 30th June 2016	60,000,000	1,718,390,029	(6,574,549,121)	(4,796,159,092)

REPORTS & FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30TH JUNE 2016

AGRO CHEMICAL AND
FOOD COMPANY LTD



STATEMENT OF CASHFLOWS

		2015-2016	2014-2015
		KSHS.	KSHS.
Net Cash Inflow from operating Activities:			
Net Profit / Loss before taxation		258,545,377	13,196,065
Adjustment for items not involving movement of funds:			
Interest on Loans	20 (B)	280,086,943	287,119,485
Depreciation	12(A)	117,018,053	110,050,552
Amortization	12(B)	6,019,588	
Profit on Disposal of property Plant and Equipment	7	(3,972,328)	(335,713)
Tax Charged	11	(30,834,032)	(13,397,341)
Net Operating Profit before changes in working capital:		626,863,601	396,633,048
Increase/ (Decrease) in working Capital			
Increase in inventories		40,086,452	55,134,460
Decrease in receivables		(158,446,511)	(21,296,218)
Increase in payables		177,732,335	(54,478,863)
Staff Leave payable current year		22,241,482	71,625
Staff Leave paid		(20,350,672)	
Taxation Current year		13,787,153	
Tax Paid current year		(9,358,680)	13,397,341
(a) Net Cash Flow from operating activities		692,555,161	389,461,393
Cash flow from investing activities:			
Purchase of assets	12(A)	(79,663,707)	(153,495,519)
Disposal of Asset - Sales Proceeds	7	3,972,328	887,400
(b) Net Cash flow from investing activities		616,863,781	236,853,274
(c) Cash Flow from Financing activities:			
Repayment of Loans	20(B)	(150,000,000)	(150,000,000)
Net Increase/(decrease) in cash and cash equivalents(a+b+c)		466,863,781	86,853,274
Cash and cash equivalent at the beginning of the year		759,290,288	672,437,014
Cash and cash equivalent at the end of the Year	16	1,226,154,069	759,290,288



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

1. GENERAL INFORMATION

Agro Chemical and Food Company Limited was incorporated under the Kenyan Companies Act. The address of its registered office is as follows

Registered Office

Jeevan Bharati Building
7th Floor, Harambee Avenue
P.O. Box 41175 -00100
NAIROBI
Telephone 020-2230083

Principal place of Business

Muhoroni Factory
Muhoroni Town
P.O.Box 18-40107
MUHORONI
Telephone +254 020 2334020/1

2. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.



Going Concern

The Company made a profit after tax of Kshs. 227,111,344 (2015: loss of Kshs. 201,276) during the year which was added to accumulated losses totaling Kshs. 6,574,549,121 (2015 6,802,260,465. In addition, the Company was in a net current liability position of Kshs. 7,112,908,196 (2015: Kshs. 7,383,993,475). These and other conditions indicate doubt as to the going concern status of the company. Management has put in place the following to address the situation:

- Presented the Company restructuring proposal to the parent Ministry and National Treasury to restructure the Company balance sheet.
- Invested in new projects like Extra Neutral Spirit, Carbon dioxide and Compounded spirits that have improved the profitability of the Company.
- Invested in the bio gas driven boiler to reduce the cost of energy and fuel used in the boiler.
- Introduced austerity measures which have led to reduced costs.
- Prudent management of excess funds and investing the same in interest earning deposits.
- Utilized internally generated funds to finance its activities and investments as opposed to external borrowings.

Based on the above, the directors believe that the company will continue in operational existence for at least 12 months from the date of these financial statements. The directors believe that it is appropriate to prepare the Company's financial statements on a going concern basis, which assumes that the Company will continue to meet its obligations as they fall due for the foreseeable future.

Application of new and revised International Financial Reporting Standards (IFRSs)

i) Relevant new standards and amendments to published standards effective for the period ended 30 June 2016

There were no new and revised IFRSs that were effective in the current year that had impact on the amounts reported in these financial statements.

ii) Relevant new and amended standards and interpretations in issue but not yet effective in the period ended 30 June 2016

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019



iii) Impact of new and amended standards and interpretations on the financial statements for the year ended 30 June 2016 and future annual periods.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the company anticipate that the application of IFRS 15 in the future will not have a significant impact on amounts reported in respect of the company's financial statements.

iv) Early adoption of standards

The company did not early-adopt any new or amended standards in the year



Revenue Recognition

Sale of spirits, yeast, carbon di-oxide and compounded spirits are recognized upon delivery to or collection of product by customers and are stated net of Value Added Tax, Excise duty and discounts. Excise duty does not apply to yeast sales and carbon di-oxide.

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

Other income includes interest earned on fixed deposits and from normal trading activities and is recognised on accrual basis.

Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted with the tax legislation. Current corporate tax rate is 30.0% on adjusted profit. There is no tax liability pertaining to the business income in view of losses available for carry forward of Kshs. 4,876,939,245 (2014-2015 4,870,619,977)

Taxation on the interest income and rental income as separate sources of income have been provided at 30%.

Deferred tax liability is provided using the liability method, for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or at professionally re-valued amounts less accumulated depreciation and any impairment losses.

Property plant and equipment are re-valued at periodic intervals usually after five years. The basis of valuation is depreciated replacement cost.

Increases in the carrying amount arising on revaluations are credited to a revaluation surplus. Decreases that offset previous increases of the same are charged against the revaluation surplus. All other decreases are charged to the income statement.

Tangible property, plant and equipment are depreciated in the year of acquisition and no provision for depreciation is provided for in the year of disposal.



Depreciation is calculated to on the straight-line method to write off the cost or re-valued amount of each asset to its estimated residual value over its estimated useful life. The annual rates used are:

Land	1.05%
Miscellaneous Property	5.0%
Buildings	2.5%
Plant & Machinery	4.0%
Instrumentation & cooling units	4.0 %
Motor Vehicles	12.5% for re-valued items and 25.0% for additions thereafter.
Computers	33.0% for re-valued assets and 25.0% for additions thereafter.
Furniture and fixtures	15% for re-valued assets and 10% for additions thereafter

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 re-valued assets, amounts in the revaluation surplus 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 software programmes is capitalised and amortised using the straight-line method over their useful life, generally not exceeding four years. The carrying amount of intangible assets is reviewed annually and adjusted for impairment where it is considered necessary. Intangible assets are not re-valued.

Amortization and Impairment of intangible assets.

Amortization is calculated on the straight line basis over the useful life of Computer Software of three years.

All Computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

Inventories

Finished alcohol and yeast are stated at the lower of production cost and net realisable value calculated on "average" basis. Production costs comprise 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.

Spares, chemicals and consumable stores are stated at cost. Costs are calculated on weighted average basis and include direct purchase cost, insurance, freight and other incidental costs.

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 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. Non-current asset 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 reward of the 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, termination of leases before expiry of the lease period, is recognised in the year in which termination takes place.

Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rate of exchange ruling at the balance sheet date. The current ruling exchange rate was Kshs. 101.1994 (year 2015 Kshs.98.5511) as at the balance sheet date. Transactions during the year in foreign currencies are translated at the rate ruling at the date of the transactions. Realized and unrealized exchange rate gains or losses arising from such transactions are recorded in the income statement.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of that asset. Other borrowing costs are recognised as an expense in the period they are acquired.



Research and Development expenditure

Expenditure on research and expenditure is recognised as an expense in the period in which it is incurred. Any internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Financial Instruments

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

Financial Assets

The company classifies its financial assets into the following categories; Financial assets at fair value through profit or loss account; 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 the 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 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

This category represents financial assets that are not;

- (a) Financial assets at fair value through profit or loss
- (b) Loans and receivables
- (c) Financial assets held to maturity.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized 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.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized 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 recognized directly in equity, until the financial asset is derecognized or impaired, at which the cumulative gain or loss previously recognized in equity is recognized in the income statement.

Cash and cash equivalents

For the purpose of the statement of cash flows, 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 the three months from the date of the advance.



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 they arise.

Trade payables

Trade payables are settled at their nominal value.

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 condition exists, the asset's recoverable amount is estimated and an impairment loss is recognized 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the income statement, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee benefits-post employment benefits

The company and its employees also contribute to the National Social Security Fund which is a defined contribution scheme.

The Company's contribution to the National Social Security Fund is determined by statutes and is limited to a specified contribution per month. Currently, the contribution is limited to a maximum of Kshs. 200 per employee per month. The contributions are charged to the income statement in the year in the year which they relate.

Defined Contributions Pension Scheme

The company operates a Defined Contribution pension scheme for non-unionisable staff.

The staff retirement Benefit Fund was established on 1st February 1982 and was first held in Kenya National Assurance Company (in receivership). It was re-established



on 1st October 1994 and held in Insurance Company of East Africa Limited and later transferred to Employee Benefit Trustees Limited, "its subsidiary".

The scheme is funded by contributions from the employees and the Company. The employees contribute 10.0% of their basic salaries while the sponsor contributes 10.0% which totals to 20.0% of the basic salary. The company's contribution to the scheme is charged to the income statement in the year to which they relate.

In accordance with the requirements of the Retirement Benefit Act 1997, the conversion approval by the Retirement Benefit Authority granted on 19th July 2004 and on 30, June 2011, the Trustee deed, Funds Management agreement, Investment policy agreement has been complied with. The accounts for 2015 have been audited and submitted to the Retirement Benefit Authority. The scheme has a total of 123 members composed of 101 active members and 22 deferred members. During the year, 5 members joined the scheme while 4 members left the scheme. The scheme funds are managed independently of the Company's assets by ICEA Lion Life Assurance while the scheme administrator is Aon Minet Insurance Company

Contract Gratuity

The company has a fixed term of service with some of the employees. A contract gratuity of 31% of the basic per 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 on achievement of annual performance targets and upon approval by the Parent Ministry and The National Treasury.

Provision for staff leave

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

Restructuring and rationalization provisions

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

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 to changes in presentation in the current year

3. CRITICAL JUDGEMENTS 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.

4. RISK MANAGEMENT POLICIES

The company activities expose it to a variety of financial risks. These involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks.

Taking risks is core to the business and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the company's financial performance. The Company's risk management policies are designed to identify analyse these risks, set appropriate risk limits and controls, and to monitor the risks and at the same time ensuring adherence to laid down limits. This is achieved by means of a reliable up-to-date information system.

The company's Board Audit committee oversees how the management monitors compliance with the risk management policies and procedures. Risk management is carried out by the management under the supervision of the Board of Directors. The Company has an internal audit department. The internal audit undertakes both regular and ad hoc reviews of risks management controls and procedures, the results of which are reported to the Audit committee.

The company has exposure of the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

a. Credit risk

Due to the nature of the Company's operation it is exposed to credit risk. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its financial obligations, that and arises from goods sold to



customers and investments is short terms deposits. The company is exposed to this risk in several areas including trade and other receivables, and cash and cash equivalents. However the Company credit risk is concentrated trade receivables in terms of sale of yeast to some customers on credit and who are to pay after a period defined by the management.

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2015 and 30 June 2014 is made up as follows:

	Fully Performing Sh	Past due Sh	Impaired Sh	Total Sh
At 30 June 2016				
Cash and cash equivalents	1,226,154,069	-	-	1,226,154,069
Trade receivables	321,234,243	-	65,393,622	386,627,865
	1,547,388,312	-	65,393,622	1,612,781,934
	=====	=====	=====	=====
At 30 June 2015				
Cash and cash equivalents	759,290,288	-	-	759,290,288
Trade receivables	185,562,159		65,393,622	250,955,781
	944,852,447	-	65,393,622	1,010,246,069
	=====	=====	=====	=====

The bank balances are fully performing.

b. **Market Risk**

i) **Currency Risk**

The Company undertakes certain transactions denominated in foreign currencies mainly in US Dollar, Euro, Sterling pounds and South African Rand. This results in exposure to exchange rate currency fluctuations. The balances impacted in this regard are the bank balances and accruals denominated in foreign currency.

As at June 30, 2016 an increase/decrease of 5 Percentage points would have resulted in an increase/decrease in pre-tax profits by Kshs161,915 (2015: 293,301).



This risk is attributed to the Bank deposits of US\$.35, 085.09 held in foreign currency.

ii) Interest rate risk

Interest rate arises primarily from borrowings and cash and cash equivalents. The Company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in different portfolios.

As at 30th June 2016, an increase /decrease of 5 percentage points would have resulted in an increase/decrease in pre-tax profits of kshs. 3,864,471 (2015 Kshs. 4,231,146).

The interest rate on the GOK guaranteed loan is fixed thereby eliminating the interest risk.

c. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. The Company's approach in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or at risk of damaging the company's reputation.

Financial Liabilities	2015-2016 Within 1 year	Over 1 Year	2014-2015 Within 1 year	Over 1 Year
	Sh	Sh	Sh	Sh
Borrowings Related Parties	-	-	-	-
Borrowings - Bank	-	-	-	-
Payables	8,683,963,908		8,553,876,965	
Total	8,683,963,908		8,553,876,965	

Financial Assets				
Cash and Cash Equivalents	1,226,154,069		759,290,288	-
Trade Receivables	321,234,243		185,562,159	-
Total	1,547,388,312		944,852,447	-
Net Liquidity Gap	(7,136,575,596)		(7,609,024,518)	-

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including servicing of financial obligations, this excludes the



potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Board of Directors. All capital investments are funded by internally generated funds.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

d. **Operational Risk**

Operational risk is the risk of indirect loss arising from a wide variety of causes associated with the Company's process, personnel, technology, infrastructure, external factors other than credit, and market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and avoid any control procedures that restrict initiative and creativity in the company.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management in the company's departments.

The responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization and approval of transactions.
- Requirements for the reconciliation of records.
- Compliance with regulatory and legal requirements.
- Documentation of control procedures.
- Requirements for periodic assessment of operational risks faced by the entity, and the adequacy of controls and procedures to address the risks identified.
- Development of contingency plans.
- Training and professional development of staff.
- Adherence to ethical and business standards.

Review of compliance with company standards is done on a continuous basis by senior management and internal audit department.

e. **Capital Risk Management**



The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the company consists of debt which includes borrowings disclosed in Note 19 as well as retained earnings and issued capital as presented on note 15 and 16.

Consistent with others in the industry, the company monitors capital on basis of the gearing ratio.

This ratio is calculated as net debt ratio divided by the equity while Net debt is calculated as total borrowings less cash and cash equivalent.

	2015-2016	2014-2015
<u>5. REVENUE</u>		
Spirit Sales	1,680,356,232	1,541,199,596
Carbon Dioxide Sales	8,526,236	7,699,524
Yeast Sales	164,565,937	218,029,316
	1,853,448,405	1,766,928,436
<u>6. COST OF SALES</u>		
Materials, Energy and Packing	700,783,756	871,893,016
Direct Salaries, wages and benefits	240,866,746	221,769,615
Plant Maintenance and other Factory overheads	69,931,093	72,968,592
Selling and Distribution Expenses	20,924,580	10,085,510
Stock adjustments	9,837,542	28,263,070
	1,042,343,717	1,204,979,804
<u>7. OTHER INCOME</u>		
Profit on sale of fixed assets	3,972,328	335,713
Rent paid by employees	6,858,115	6,556,281
Miscellaneous Income	10,840,021	9,615,960
Contract Bottling	5,270,400	
	26,940,864	16,507,954
<u>8. FINANCE INCOME</u>		
Interest on Fixed deposits	52,942,752	50,874,391
	52,942,752	50,874,391



9. ADMINISTRATIVE EXPENSES

Advertising and Public relations	420,250	968,950
Audit Fees	780,000	780,000
Computer Expenses	2,488,543	5,579,574
Donations	445,382	0
Subscriptions and Newsletter	602,760	536,790
Guest House Expenses	2,042,801	2,098,538
Legal fees	1,435,175	4,938,376
Management Fees	30,207,376	28,256,641
Office equipment repairs	2,042,370	1,561,089
Motor Vehicle running Expenses	8,885,148	10,266,639
Postage, telegrams and telephone	828,731	1,007,227
Printing and stationery	2,008,886	1,750,258
Travelling and Accommodation	9,921,452	7,669,292
Marketing and Nairobi office expenses	29,774,869	29,116,605
Productivity Improvement	212,000	0
Consultancy and performance contracting activities	744,870	768,250
Security Hire	6,219,225	6,213,165
Insurance and Licenses	12,952,812	13,334,858
Corruption Prevention activities		34,690
Rent	1,599,379	1,453,472
Repairs and renewals (Housing)	2,460,166	618,568
Write Back On Credit Balances on Debtors		1,707,614
Recruitment expenses	187,300	191,530
Salaries and Wages	82,775,543	74,638,945
Staff welfare	20,453,062	20,405,176
Directors Honorarium	720,000	720,000
Board and Committee Sitting Allowances	6,538,321.5	4,285,660
Consultancy and professional services	2,620,000	
	229,366,421	218,901,906
Depreciation	123,037,641	110,050,552
	352,404,063	328,952,458

10. FINANCE COST

Bank Charges	632,545	1,453,472
Exchange Loss / (Gains) Operations	13,472	618,568
Finance Income	(694,093)	1,707,614



Interest on loans	280,086,942	287,119,484
	280,038,866	290,899,138
11. TAX COMPUTATION		
Tax on Rental Income Previous years	2,980,954	8,195,973
Tax on separate source of Income Previous years	14,065,925	4,038,661
Tax on Rental Income Current year	398,534	1,162,707
Tax on separate source of Income Current year	13,388,619	
	30,834,032	13,397,341



12. (A) SCHEDULE OF PROPERTY, PLANT & MACHINERY AND EQUIPMENT

COST / VALUATION	Leasehold Land Kshs.	Miscellaneous property	Building, Housing & Factory Kshs.	Plant and Machinery Kshs.	Capital Work in Progress Kshs.	Motor Vehicles Kshs.	Computers and Accessories Kshs.	Furniture and Equipment Kshs.	Total Kshs.
COMPRISING									
As at 1st July 2015	19,772,100	13,030,478	338,962,553	2,021,962,774	311,204,765	71,015,811	16,833,187	17,044,573	2,809,826,241
Additions				19,168,113	38,815,058	9,537,260	1,881,919,000	183,780	69,586,130
Transfer from Work in progress			9,653,876	287,981,343	(297,635,219)				0
On Disposal						(3,245,134)	(1,170,000)		(4,415,134)
As at 30th June 2016	19,772,100	13,030,478	348,616,429	2,329,112,230	52,384,604	77,307,937	17,545,106	17,228,353	2,874,997,237
DEPRECIATION									
As at 1st July 2015	1,049,836	2,606,096	39,513,210	371,215,832		31,531,642	12,633,538	6,000,812	464,550,965
On Disposal						(3,245,134)	(1,170,000)		(4,415,134)
Charge for the Year July 2015- June 2016	209,968	521,234	8,715,434	93,357,668		10,751,133	1,715,308	1,747,308	117,018,053
As at 30th June 2016	1,259,804	3,127,330	48,228,644	464,573,500		39,037,641	13,178,846	7,748,120	577,153,885
NET BOOK VALUE									
As at 30th June 2016	18,512,296	9,903,148	300,387,786	1,864,538,730	52,384,604	38,270,296	4,366,260	9,480,233	2,297,843,353
As at 30th June 2015	18,722,264	10,424,382	299,449,344	1,650,746,942	311,204,765	39,484,169	4,199,649	11,043,761	2,345,275,276



12. (B) SCHEDULE OF PROPERTY, PLANT & MACHINERY AND EQUIPMENT

COST / VALUATION	Leasehold Land Kshs.	Miscellaneous property Kshs.	Building, Housing & Factory Kshs.	Plant and Machinery Kshs.	Capital Work in Progress Kshs.	Motor Vehicles Kshs.	Computers and Accessories Kshs.	Furniture and Equipment Kshs.	Total Kshs.
COMPRISING									
As at 1st July 2014	19,772,100	13,030,478	331,710,737	1,911,757,119	327,619,000	46,320,583	15,928,494	11,433,751	2,677,572,262
Additions			3,837,791	17,846,681	118,234,925	5,129,614	2,835,685,80	5,610,822	153,495,519
Transfers			3,414,025	92,358,974	(134,649,160)	20,786,739	18,089,422		(1,221,125)
On Disposal						(1,221,125)			
As at 30th June 2015	19,772,100	13,030,478	338,962,553	2,021,962,774	311,204,765	71,015,811	36,853,602	17,044,573	2,829,846,656
DEPRECIATION				2,021,962,774 38					
As at 1st July 2014	839,868	2,084,876	31,039,132	289,422,104		71,015,507	36,853,601,91		360,342,501
On Disposal						(669,436)		4,271,875	(669,436)
Charge for the Period July 2014-June 2015	209,968	521,220	8,474,078	81,793,728		9,714,949	7,607,673	1,728,936	110,050,552
As at 30th June 2015	1,049,836	2,606,096	39,513,210	371,215,832		31,531,642	17,806,189	6,000,812	469,723,616
NET BOOK VALUE									
As at 30th June 2015	18,722,264	10,424,382	299,449,344	1,650,746,942	311,204,765	39,484,168	19,047,413	11,043,761	2,360,123,039
As at 30th June 2014	18,932,232	10,945,602	300,671,605	1,622,335,015	327,619,000	23,834,454	5,729,978	7,161,876	2,317,229,761



13. INTANGIBLE ASSETS

	2016	2015
COST		
As at July, 1, 2015	20,020,415	1,947,613
Additions		
Pledge Payroll Software	6,093,795	
SAP ERP Phase II	3,983,782	
SAP - ERP System		17,154,607
Maarifa Payroll System		918,195
As at June 30, 2016	30,097,992	20,020,415
Amortization		
As at July, 1, 2015	5,172,651	1,168,568
Charge For the Year	6,019,588	4,004,083
As at June 30, 2016	11,192,238	5,172,651
Net Bok Value	18,905,754	14,847,764

2015-2016

2014-2015

14. INVENTORIES AND WORK IN PROGRESS

Raw materials and spares	178,004,547	208,043,962
Finished Goods	12,882,570	22,929,608

190,887,117

230,973,570

15. TRADE AND OTHER RECEIVABLES

Trade Debtors	386,627,865	250,955,781
Pre-payments	19,501,996	22,329,521
Creditors with debit Balances	61,499,706	30,625,990
Other debtors	110,802,487	116,074,252
Total	578,432,055	419,985,544
Provision for Bad and Doubtful debts	(65,393,622)	(65,393,622)
	513,038,433	354,591,922



16. CASH AND CASH EQUIVALENTS

Petty cash - Nairobi Office	22,445	70,747
Petty Cash Muhoroni	142,430	531,637
Petty Cash School	129,365	470,884
National Bank Current Account Kisumu	153,355,158	176,235,725
Barclay Current Account - Kisumu	105,226,159	5,192,927
Nbk US Dollar Account- Harambee Avenue	3,238,657	2,861,459
NBK Account Harambee Avenue	10,016,502	499,346
Kenya Commercial Bank -Muhoroni	63,607,704	4,834,174
National Bank of Kenya Savings Account Kisumu	3,939,143	1,824,221
KCB Account - Muhoroni	4,549,494	4,472,519
N.B.K Fixed Deposit	626,927,012	512,296,650
K.C.B Fixed deposit	255,000,000	50,000,000
	1,226,154,069	759,290,289

17. SHARE CAPITAL

Authorised 3,750,000 Ordinary shares Of Kshs.20/=	75,000,000	75,000,000
Issued and fully paid 3,000,000 Ordinary shares of Kshs.20/=	60,000,000	60,000,000

18. TRADE AND OTHER PAYABLES

Trade Payables	61,964,218	64,760,159
Debtors with credit Balances	31,422,721	16,426,497
Other Payables	222,207,500	56,675,448
	315,594,439	137,862,104

19. PROVISION

Balance as at beginning of the year	23,712,846	23,641,220
Provisions for the year	22,241,482	1,333,429
paid during the year	(20,350,672)	(1,261,803)
	25,603,656	23,712,846



20. LOANS Interest Rate

GOK ON-LENT	7%	2,941,884,000	2,941,884,000
Loans interest deferred		5,133,587,589	4,927,655,709
Interest on GOK paid Loan	15.46	608,492,319	684,337,256
		<u>8,683,963,908</u>	<u>8,553,876,965</u>

20.(B) LOANS MOVEMENT

Opening balance	8,553,876,965	8,416,757,481
Interest For the period	280,086,942	287,119,484
Loan Repaid	(150,000,000)	(150,000,000)
Loan Balance	<u>8,683,963,908</u>	<u>8,553,876,965</u>

21. TAX PAYABLE

Tax Brought Forward	13,397,341	-
Income tax charge	13,787,153	13,397,341
Tax Paid	(9,358,680)	-
	<u>17,825,814</u>	<u>13,397,341</u>

22. CAPITAL COMMITMENTS

Authorised and Contracted	132,319,000	224,695,000
Authorised but not Contracted	1,857,000	14,669,000
TOTAL	<u>134,176,000</u>	<u>239,364,000</u>

23. OPERATING LEASE

Payments under operating leases

At the end of the reporting period, the Company had outstanding commitments under non-cancellable operating leases for rental of the company's Nairobi offices which fall due as follows:

	2016	2015
Within one year	1,599,379	1,453,472
	=====	=====

The current lease will expire on June 30, 2017 hence there is no rental lease in the second to fifth years till the lease is renewed.



24. CONTINGENT LIABILITY

- i) There is a pending demand of Kshs. 634,644,435 from Kenya Revenue Authority in respect of Withholding Tax assessment on interest paid to Treasury over a period of time against the Loan paid by Treasury on behalf of the Company. The Directors are of the opinion that this demand will be vacated and hence no liability arising.
- ii) There is a pending tax demand from Kenya Revenue Authority of Kshs. 7,310,579 arising from a claim on spirits designated for export market and diverted to the local market. The matter is currently in court. The directors are of the opinion that the tax demand will be vacated and hence no liability arising.

25. RELATED PARTY TRANSACTIONS

Mehta Group owns 44% of shareholding in ACFC and such a related party. The company provides management services to the company in line with the Management Contract in place between The Government of Kenya and the international Investment Corporation. The transaction with this party during the year relates to payment of management fees of kshs.30,207,376 (2014-2015 Kshs. 28,256,641).