

REPUBLIC OF KENYA




PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

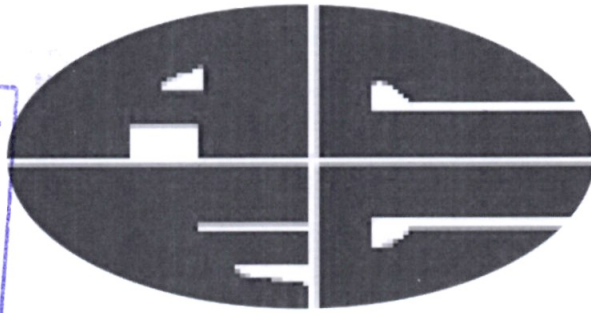
THE AUDITOR-GENERAL

ON

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 MAR 2026	DAY: TUESDAY
TABLED BY: HON. OWEN BAYA, MP	
PREPARED BY: CHRISTINE NDIRITU	

AGRO-CHEMICAL AND FOOD
COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025



AGRO-CHEMICAL AND FOOD COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025



AGRO CHEMICAL AND FOOD
COMPANY LIMITED

ANNUAL REPORT & FINANCIAL
STATEMENTS FOR THE YEAR ENDING
30TH JUNE 2025



TABLE OF CONTENTS

I.	Acronyms and Glossary of Terms.....	ii
II.	Key Company Information.....	iii - vi
III.	The Board of Directors.....	viii - xii
IV.	Management team.....	xiii - xv
V.	Chairman's Statement.....	xvi - xviii
VI.	Report of the Resident Director and Chief Executive.....	xix - xx
VII.	Statement of performance against pre-determined objectives for the financial year 2024/2025.....	xxi - xxii
VIII.	Corporate Governance statement.....	xxiv - xxvii
IX.	Management Discussion and Analysis.....	Xxviii - xxxi
X.	Environmental and Sustainability reporting.....	xxxii - xxxvi
XI.	Report of the Directors.....	xxxvii - xxxviii
XII.	Statement of Directors' Responsibilities.....	xxxix
XIII.	Report of the Independent Auditors on the financial statements for the year 2024/2025	xi
XIV.	Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2025	1
XV.	Statement of Financial Position for the year ended 30 June 2025.....	2
XVI.	Statement of Changes in Equity for the year ended 30 June 2025.....	3
XVII.	Statement of Cash Flows for the year ended 30 June 2025.....	4
XVIII.	Statement of Comparison of Budget against actual for the year ended 30 June 2025.....	5
XIX.	Notes to the Financial Statements.....	6 - 47
XX.	Appendices	48 - 62



I. ACRONYMS AND GLOSSARY TERMS

IFRS	International Financial Reporting Standards
ACFC	Agro Chemical and Food Company Limited
ADY	Active Dry Yeast
ICPAK	Institute of Certified Public Accountants of Kenya
LSK	Law Society of Kenya
CSTR	Continuous Stirred Tank Reactor
RD&CE	Resident Director & Chief Executive
ADC	Agricultural Development Corporation
KDC	Kenya Development Corporation
TMIL	The Mehta International Limited



II. COMPANY INFORMATION

a) BACKGROUND INFORMATION

Agro-Chemical and Food Company was established in 1978 under the Companies Act Cap 486 to produce power alcohol from sugar cane molasses. It was a unique joint venture between the private sector and the Government of Kenya through Kenya Development Corporation and Agricultural Development Corporation. Power Alcohol was to be blended with petrol to make gasohol as a national strategy for reducing foreign exchange used to purchase petroleum oil. The project was conceived by Mr. M. N Mehta, Chairman of Mehta Group and implemented within the budgeted time and costs. The company was finally established and commissioned in 1982. The project also suited well with the strategy adopted by the Government of Kenya as part of rural industrialization program meant to curb post-independence migration to urban areas. The technology selected was from M/s. Vogelbusch of Austria which was one of the “best technologies” in the world in the field of Alcohol and Active Dry Yeast.

The program could not be sustained because there was no policy and legal framework to regulate the use of power alcohol. In addition, there was resistance from the multinational petroleum Companies who feared a reduction in their market share and therefore the Company shifted to producing various grades of spirits and yeast.

Upon inception, the Company was under the Ministry of Energy, however from 1996, the Company was placed under the Ministry of Agriculture where it has been to date. At the cabinet level, ACFC is represented by the Cabinet Secretary, Ministry of Agriculture and livestock development who is responsible for general policy and strategic direction of the company. ACFC is domiciled in Kenya, and factory located in Muhoroni.

b) PRINCIPAL ACTIVITIES

The Company produces Extra Neutral Spirit, Kenya Methylated Spirit, Industrial Methylated Spirit, Active Dry Yeast, fresh Wet yeast, Carbon dioxide, Surgical Spirits and Hand Sanitizers from sugar cane molasses for both local and export markets. The company also produces bottled spirits Patriot Gin and Patriot Vodka.

Vision Statement

The preferred producer and supplier of spirits, yeast and related products.

Mission Statement

Production of world-class quality products through cost effective innovative and environmentally friendly technologies

Core Values

- Customer Focus
- Professionalism
- Efficiency
- Teamwork
- Integrity



COMPANY INFORMATION (Continued)

c) Board of Directors

Directors who served the Company during the year are as follows:

ORGANIZATION

NAME

Agricultural Development Corporation

Dr, Wilson Tonui -
Chairman (Appointed on
20.12.23)

Agricultural Development Corporation

Dr. Winnie Macharia
(Appointed on 23.09.2023)

Kenya Development Corporation

Ms. Mbatha Mbithi
(Appointed on January 1,
2023)

Kenya Development Corporation

Mr. John Karia
(Appointed on January 1,
2023)

The Mehta International Limited

Mr. Suresh Sharma
(Appointed on July 26, 1994).
Anil Shah: Alternate to S.C.
Sharma Appointed on 11th
September 2021.

The Mehta International Limited

Mr. John Kiruthu (Alternate to
Mr. M.N. Mehta) (Appointed
on September 11, 2021).

The Mehta International Limited

Rtd Justice Matthew
Emukule (Appointed on
March 10, 2025).



COMPANY INFORMATION (Continued)

Ministry of Agriculture & Livestock Development

P.S. (Alternate: Mr. Peter
Owoko) (Appointed on May
17, 2024)

The National Treasury

C.S. (Alternate: CPA. Margaret
Wamuyu Appointed on
September 9, 2019)

Resident Director and Chief Executive

Mr. Ashok Agrawal (Re-
appointed on 25th May 2023)

Company Secretary:

Ms. Sharon Cheruiyot, CPS (Kenya)
P.O. Box 18-40107
MUHORONI, KENYA

d) Registered Office

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

e) Principal place of Business

Muhoroni Factory
Muhoroni Town
P.O. Box 18-40107
Muhoroni, Kenya
Telephone +254 020 2334020/1
Email. admin@acfc.co.ke
Website: www.acfc.co.ke



COMPANY INFORMATION (Continued)

f) **Corporate Bankers:**

National Bank of Kenya Limited
P.O. BOX 1152-40100
KISUMU

ABSA Bank Kenya Limited
P.O. Box 831, KISUMU

KCB Bank
P.O. Box 113
MUHORONI

g) **Independent Auditors:**




Auditor General
Office of The Auditor General
Anniversary Towers,
Monrovia Street,
P.O. Box 30084
GPO 00100
NAIROBI, Kenya

h) **Principal Legal Advisers:**



1. The Attorney General
State Law Office and Department of Justice
P.O. Box 40112
City Square 00200
Nairobi, Kenya
2. Staussi Asunah & Oluoch Advocates
P.O. Box 3140-40100
Kisumu, Kenya
3. Theuri Wanjohi & Co. Advocates
P.O. Box 6502-00100
Nairobi, Kenya



III. THE BOARD OF DIRECTORS

	<p>He was born in the year 1966 and was appointed to the Board on 20.12.2023. He is currently the Managing Director of Agricultural Development Corporation.</p>
	<p>She was born in the year 1968 and was appointed to the Board on 13.09.2023. She is currently a Technical officer at the Agricultural Development Corporation and is a holder of PHD BA, MBA, Strategic Management.</p>
 MS. MBATHA MBITHI	<p>She was born on 16/07/1966. She was appointed to the Board on 1st January 2023 and is a holder of Master in Business Administration in Strategic Management from Moi University and a Bachelor of Science Degree in International Business Administration from the United States International University. She has two years working experience with ACFC</p>



BOARD OF DIRECTORS	
 <p>Mr. John Saitoti Karia</p>	<p>He was born on 25th May 1984 and was appointed to the Board on 1st January 2023. He is an Advocate of the High Court of Kenya and a Certified Secretary. He holds a Masters degree in Law (LLM) from the University of Exeter, (UK), a Post-graduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws degree (LLB) from University of Nairobi. He is a Member of the Institute of Certified Secretaries of Kenya, the Law Society of Kenya and the Chartered Institute of Arbitrators (Kenya Branch). He is currently the Deputy Director, Legal Services at Kenya Development Corporation.</p>
 <p>The National Treasury C.S.(Alternate: CPA. Ms.Margaret Wamuyu)</p>	<p>She was born in the year 1985 and was appointed to the Board on 30.09.2019. She is currently working at The National Treasury and holds a Master of Business Administration degree from the University of Nairobi and Bachelor of Commerce degree (First Class Honors) from KCA University. She is a Certified Public Accountant and a Member of Institute of Certified Public Accountants of Kenya (ICPAK). She has five years' experience working with ACFC.</p>



Mr. Anil Shah
Alternate to Mr. Suresh Sharma

He was born on 9th August 1963 and was appointed to the Board on 11th September 2021. He is a Specialist in Sugar Industry and has three years working experience with ACFC.



Mr. John Kiruthu

He was born on 12th March 1963 and was appointed to the Board on 11th September 2021. He is a practicing Accountant and has three years working experience with ACFC.



BOARD OF DIRECTORS (Continued)



Mr. M.N. Mehta

He was born in the year 1932 and was appointed to the Board on 15.12.1982. He has forty-two years' working experience with ACFC.



Mr. Suresh Sharma

He was born in the year 1936 and was appointed to the Board on 26.07.1994. He is currently working as Regional Director at SCOUL and he is a holder of BSC A.N.S, F.R.S.C (London), Chartered scientist (London), F.I.E Chartered Engineer (India) M. AM(Chem) SOC (USA), He has Thirty years working experience with ACFC.



Rtd Justice Mathew Emukule

He was born on 07.12.1946 and was appointed to the Board on 10.03.2025.

Rtd. Justice Mathew Emukule MBS holds a bachelor's degree in law from the University of the Dare es salaam. He is a retired Judge of the High Court of Kenya, Chartered Mediator, former legal practitioner in commercial law, former State Counsel and currently small-scale oil crops developer.



Mr. Peter Owoko
Alternate to the PS Ministry of Agriculture
and Livestock Development.

He was born on 5th August 1966 and was appointed to the Board on 17.05.2024. He has one year's working experience with ACFC. He is currently working at The Ministry of Agriculture and Livestock Development. He is a holder of BSc in Agriculture from the University of Nairobi and an MSc in Agricultural and Rural Development from Kenya Methodist University. He has over three decades of progressive experience in agricultural extension, policy and program coordination,



Mr. Ashok Agrawal
Resident Director and Chief Executive

He was born on 26th January 1959 and is a holder of B. Tech. (Chem. Engineering).

He is currently the Resident Director and Chief Executive



Ms. Sharon Cheruiyot

She is currently the Company Secretary and Manager Legal Services. She is a holder of Bachelors of Law (LLB), an advocate of the High court, a Certified Secretary and a member of ICS and LSK.



IV. MANAGEMENT TEAM



Mr. Ashok Agrawal
Resident Director and Chief Executive

He was born on 26th January 1959 and is a holder of B. Tech. (Chem. Engineering).

He is currently the Resident Director and Chief Executive



Mr. Edwin O. Owiti




He is currently the General Manager Finance and ICT. He was born in 1976 and is a holder of B. ED, M A (ECON), CPA(K) and member of ICPAK



Ms. Sharon Cheruiyot

She is currently the Company Secretary and Manager Legal Services. She is a holder of Bachelors of Law (LLB), an advocate of the High court, a Certified Secretary and a member of ICS and LSK.



 <p>Mr. David Ojwang'</p>	<p>He was born on 25th May 1967 and is a holder of Bsc. (Food Science & Technology).</p> <p>He is currently the Acting General Manager, Factory.</p>
 <p>Mr. Alan Andagalu</p>	<p>He is currently the Manager, Sales and Marketing. He was born on 1st March 1975 and is a holder of Bsc. (Food Science & Technology).</p>
 <p>Mr. David Morogo</p>	<p>He is currently the Manager, Projects and Planning. He is a holder of BTech. in Chemical & Process Engineering.</p>



Ms. Dorothy Rota

She was born on 12th September 1974 and is a holder of Bcom (Accounting Option), and an MBA (Finance Option).

She is currently the Manager, Internal Audit.



Mr. Amos Mwaighonyi

He was born on 1st January 1970. He is currently the Assistant Manager, Supply Chain Management. He is a holder of BCom (Science in Purchasing & Supply Chain Management) and MBA (corporate Management).



V. CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30TH JUNE 2025



Dr. Wilson Tonui

It is my pleasure to present the Annual Report and financial statements of ACFC for the year ending 30th June 2025.

SUMMARISED OPERATING RESULTS

The Company's operations depend on the quantity of molasses supplied by sugar companies. The Company received 65,925 tons in 2024/2025 (2023/2024: 55,149 tons) of molasses against a budgeted quantity of 65,000 tons.

The Company produced 14.621 million in 2024/2025 (2023/2024: 8.173 million) liters of alcohol against the budgeted quantity of 14.40 million liters. Active Dry Yeast (ADY) production was 15 tons in 2024/2025 (2023/2024: 22 tons) against a budget of 200 tons representing a decrease of 185 tons.

The budgeted quantity of ADY was not achieved due to diminishing demand for ADY as a result of stiff competition from imported yeast. The Company intends to shift from the production of ADY to production of animal feeds in view of diminishing market share. Wet Yeast production was 691 tons in 2024/2025 (2023/2024: 621 tons) against a budget of 800 tons representing a decrease of 109 tons. The target for wet yeast production was not met due to competition from imported instant yeast. The Company realized a turnover of Kshs. 2,045.033 million in 2024/2025 (2023/2024 Kshs.1,626.423 million) against the budget of Kshs. 3.191.274 million. The budget was not met mainly due to reduced ENA prices.



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

CHAIRMAN'S REPORT (Continued)

FINANCIAL HIGHLIGHTS

PRODUCTION	2024-2025				2023-2024			2022-2023	
	UNIT	BUDGET	ACTUAL	% ACTUAL / BUDGET	BUDGET	ACTUAL	% ACTUAL / BUDGET	BUDGET	ACTUAL
Alcohol	Lts '000"	14,400	14,621	102%	14,400	8,173	57%	15,000	12,005
Active Dry Yeast	Tons	200	15	8%	200	22	11%	250	15
Wet Yeast	Tons	850	691	81%	1,000	629	63%	800	741
Carbon Dioxide	Tons	18	129	717%	32		0%	86	
Compounded Spirit (Patriot) (artons)	Cartons	35,400	11,298	32%	86,400		0%	48,000	22,710
SALES									
Alcohol	Lts '000"	14,400	13,724	95%	14,400	7,761	54%	14,200	13,495
Active Dry Yeast	Tons	200	15	8%	200	22	11%	250	39
Wet Yeast	Tons	850	691	81%	1,000	629	63%	1,000	603
Carbon Dioxide	Tons	18	126	700%	32	30	94%	500	65
Compounded Spirit (Patriot) (artons)	Cartons	35,400	7,342	21%	86,400	11,811	14%	468,000	2,675
FINANCIAL INDICATORS									
Sales Turnover	Kshs. 000	3,191,274	2,045,033	64%	2,597,126	1,626,422	63%	2,031,955	1,920,742
Other Income	Kshs. 000	23,500	58,932	251%	56,500	27,857	49%	58,700	36,414
GROSS REVENUE	Kshs. 000	3,214,774	2,103,965	65%	2,653,626	1,654,279	62%	2,090,655	1,755,132
Operating profit / (Loss) before loan interest	Kshs. 000	249,175	344,158		47,092	(410,390)		181,854	(553,108)
Interest on Loan	Kshs. 000	332,804	390,160	117%	332,804	345,457	104%	276,291	327,350
Net Profit / (Loss) before tax	Kshs. 000	(83,628)	(46,002)		(285,712)	(755,847)		(94,437)	(313,902)
Corporate tax 30%	Kshs. 000	-	10,653			2,179			7,495
Net Profit / (Loss) after tax	Kshs. 000	(83,628)	(56,655)	68%	(285,712)	(758,026)		(94,437)	(321,074)

Total sales turnover for the year was Kshs. 2,045.033 million compared to Kshs. 1,626.422 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. 2,103.658 million compared to Kshs. 1,654,279 million last year. The Company registered an operating profit before loan interest of Kshs. 344.158 million compared to a loss of Kshs. 410.390 million in the previous year. After charging loan interest of Kshs. 390.160 million (previous year: Kshs. 345.457 million) the Company registered an overall net loss of Kshs. 46.002 million compared to a net loss of kshs. 755.847 million in the previous year. After Charging Corporate tax of Kshs. 10.653 (previous year: Kshs. 2.179 million the Company registered a loss of Kshs.56.655 million compared to a loss of Kshs. 758.026 in the previous year.



CHAIRMAN'S REPORT (Continued)

CHALLENGES

During the year, the Company faced some challenges as summarized below:

- a) Diminishing demand for ADY as a result of stringent alcoholic crackdowns and reduced market for Wet Yeast due to stiff competition from imported yeast.
- b) Low uptake of Carbon dioxide as a result of plant breakdowns.
- c) Cheap brands of Compounded spirits in the market.
- d) Low pricing of ENA as a result of competition from other distillers

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 to achieve such a milestone. May I also acknowledge the vital role played by the Ministry of Agriculture and Livestock Development (State Department for Agriculture). The National Treasury, Kenya Sugar Board and Sugar companies for their continued guidance and support.

PROSPECTS

The Company prospects depend on the quantity and pricing of molasses that the Company can obtain from sugar companies. Our continued appeal to the sugar companies for adequate and affordable molasses remains on course. The Privatization commission is currently undertaking the Privatization of ACFC. When the Company is finally privatized, and strategic alliances entered with sugar companies, this high profitability dream will surely be realized. The Government initiative to revamp the sugar sector will also enhance the Company's operations and profitability.

CONCLUSION

My sincere appreciation goes to all my colleagues on the Board for their tireless devotion and valued guidance. I look forward to similar enthusiasm 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 towards turning the Company back to profitability.

WILSON TONUUI
CHAIRMAN



VI. REPORT OF THE RESIDENT DIRECTOR AND CHIEF EXECUTIVE



Mr. Ashok Agrawal

During the year 2024/2025 the Company registered a net loss of Kshs. 56.654 million Compared to loss of Kshs. 758.026 million in the previous year. The improved performance was due to stable supply of molasses at a reduced cost and higher sales of alcohol.

ACFC has strategic pillars and objectives within its Strategic plan 2023/2024 to 2027/2028. These strategic pillars are as follows:

1. Production of quality alcohol, yeast, carbon dioxide and value-added products using friendly technologies.
2. Improving Company revenues and profits.
3. Enhancing organizations management and operational excellence.
4. Improving Corporate Governance and risk management.

The Company develops its annual work plans based on the above pillars. Assessment of the Boards performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets for the financial year 2024/2025 based on its 4 strategic pillars.

The Company has reviewed its strategic plan for the next five years (2023/2024 to 2027/2028). We are hopeful that the plan will reposition ACFC for greater milestones in the coming years.

The Company intends to do aggressive marketing, introduce new products, enhance production capacities, and embrace cost rationalization. The management believes that these strategies will enable the Company to bounce back to recovery path leading to increase in value additions. The intended investment in fed batch fermentation system in 2025/2026 is intended to increase productivity of ACFC and hence enhance the company's competitiveness.



ACFC is under privatization through the Privatization Commission. Privatization of the Company is key in bringing back the Company to profitability and a healthier balance sheet will therefore be realized

I remain optimistic and looking forward to the days when ACFC will return to profitability and declare dividends to its shareholders.

I would like to thank the Board, Management, and staff of ACFC as well as other stakeholders for the support received during the year.

ASHOK AGRAWAL
RESIDENT DIRECTOR
AND CHIEF EXECUTIVE



VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FINANCIAL YEAR 2024/2025

Agro Chemical and Food Company has 4 strategic pillars and objectives within its Strategic Plan for the FY 2023/2024- 2027/2028.

These strategic pillars are as follows:

- Pillar 1: Factory Operations
- Pillar 2: Revenues and profits
- Pillar 3: Institutional Capacity
- Pillar 4: Corporate Governance

ACFC develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2024/2025 based on its 4 strategic pillars, as tabulated below:



Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Company Revenues and profits	<ul style="list-style-type: none"> To increase the company's sales turnover from KES 1.92 billion to KES 4.391 billion over the 5-year period To improve the % sales revenue share of value-added products from the 10% to 30% by the end of the 5-year period Reduce total cost by 15% by the end of the 5-year period 	<ul style="list-style-type: none"> Customer satisfaction reports No. of customer visits Signed contracts with strategic customers Customer survey reports No. of promotions/ activations carried out. No. of lost Customers recaptured No. of new market segments acquired 	<ul style="list-style-type: none"> Carry out customer surveys annually to establish market share. Enhanced promotion and activation/ marketing Recapture lost market share Venture into new market segment Identify gaps in the existing marketing strategy Review and implement sales and marketing strategy Carry out feasibility study of products Introduce and launch new brands of alcohol related products Recruit sales & marketing staff Appoint new distributors/ sales representative Engage advertising and promotional agencies Embrace digital marketing 	<p>In FY 2024/2025, the company achieved a pre-tax loss of Kshs. 56.962 million against a target loss of Kshs 83.628 million,</p>
Pillar 2: Factory operations	<p>To increase production of quality Alcohol, Yeast, Carbon dioxide, Portable bottled spirit and denatured potable spirit</p>	<ul style="list-style-type: none"> No. of separators replaced New instant yeast plant in place New automatic potable spirit bottling line in place Solar power in place 	<ul style="list-style-type: none"> Develop and implement total productive maintenance system (TPM) Improved process monitoring Construct instant yeast plant Install an automatic potable spirit bottling line when the demand exceeds the current plant capacity. Install alternative sources of power e.g. Solar power Implement market research recommendations on new product development. 	<ul style="list-style-type: none"> Alcohol production was 14.621 million against a budget of 14.40 million liters an improvement compared to 8.173 million liters in the FY b2023/2024. Wet Yeast production registered a During the FY 2024/2025, the company achieved a production of 691 tons of wet yeast.
Pillar 3: Institutional Capacity	<p>Improve Organizational management and operational excellence</p>	<ul style="list-style-type: none"> Skilled workforce in place No. of staff trained in productivity management 	<ul style="list-style-type: none"> Improve Human Resource Capacity Improve working environment Improve employee welfare 	<ul style="list-style-type: none"> Improved ICT infrastructure Training plan implemented and 30 no staff trained.



Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		<ul style="list-style-type: none">•Productivity Matrix Developed•Baseline report•Aligned Performance contracts•Rewards and sanctions effected.		
Pillar 4: Corporate Governance	Improve Corporate Governance & Risk Management	<ul style="list-style-type: none">•No. of CSR programs•Enhanced Corporate Branding and visibility•Citizens' service charter developed and implemented•Inclusive and multicultural work environment realized•No. of forums held with stakeholders	<ul style="list-style-type: none">•Initiate and implement CSR programs•Undertake Corporate Branding•Continuous engagement with stakeholders•Develop and implement citizens' service charter•Social inclusion and diversity (Human Rights, Gender, Youth and PWDs and the marginalized)	<ul style="list-style-type: none">•CSR programs in place•Enhanced Corporate Branding and visibility•Citizens' service charter developed and implemented•Inclusive and multicultural work environment realized•Several forums held with stakeholders



VIII. 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 provides 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 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 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 vis, ADC, two directors, KDC, two directors, TMIL, three directors, representative of P.S, the Ministry of Agriculture and Livestock Development (State Department for Agriculture). and representative of C.S., The National Treasury. Therefore, the Company Directors are not elected but are representatives of institutions by 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 and TMIL provides the Resident Director and Chief Executive.

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 quarterly financial statements and discuss other matters of strategic importance to the Company. Senior management of the Company attends Board meetings by invitation, whenever necessary. During the year, the schedule of meetings held, and attendance thereof is as tabulated below:

	NAME	08/07/2024	01/08/2024	02/08/2024	26/09/2024	28/10/2024	06/02/2024	29/04/2025	04/06/2024	30/06/2024
1	Dr. Wilson Tonui	√	√	√	√	√	√	√	√	√
2	Dr. Winnie Macharia	√	√	√	√	√	√	√	√	√
3	Ms. Mbatha Mbithi	√	√	√	√	√	√	√	√	√
4	Mr. John Karia	√	√	√	√	√	√	√	√	√
5	Mr. Suresh Sharma	√	√	√	√	√	√	√	*	√
6	Mr. John Kiruthu	√	√	√	√	*	√	√	*	√
7	Rtd. Justice Matthew Emukule (App 10.03.2025)	N/A	N/A	N/A	N/A	N/A	N/A	√	√	*
8	Mr. Peter Owoko (App 17.05.2024)	N/A	N/A	N/A	*	√	√	√	√	√
9	Ms. Margaret Wamuyu	√	√	√	√	√	√	√	*	*
10	Mr. Ashok Agrawal	√	√	√	√	√	√	√	√	√

KEY	
√	Present
*	Absent
N/A	Not Applicable

Board Committees:

For the 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 mandate of the audit and risk committee shall be to oversight financial reporting, Internal controls and risk management as well as compliance and regulatory controls. The Committee shall review and provide assurance on 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 involve 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 reported to the Board. This is aimed at ensuring close monitoring of performance trends and forecasts as well as actual performance against budgets.

Board Charter

The Board has in place a Board charter approved by the Board of Directors which facilitates the full and free exercise of professional competencies and ensures the effectiveness of each Director's contribution, consistent with the standards of independent judgement, ethics and integrity which the Directors are expected to observe.

Appointment and Removal of Directors

The Board of Directors are appointed by respective shareholders/institutions.

Induction and Training of Directors

New Board members are inducted upon appointment and the legal and regulatory texts associated with the Company's particulars, deriving from the memorandum and Articles of Association, Board's operating rules and procedures, and any other issues necessary for proper discharge of duties provided. They are also trained on corporate governance/Mwongozo to enhance their skills.



Code of conduct and Ethics

In accordance with the principles of good corporate governance, each director undertakes to:

- a) To act first, foremost, and always in the best interest of the Company and not for their own collateral purpose.
- b) To exercise his/her power in the executive duties in the utmost good faith.
- c) To act with due care, a prudent person would take when acting on their own behalf.
- d) That in arriving at a decision on any issue, he/she shall strive to ensure that the decision is in the best interest of the Company and is not driven by any other interest.
- e) Subscribe to the Company Core values to always act in the interest of the Company by promoting the effective and responsible use of resources for the benefit of the Company and commits to upholding them and ensuring their implementation.
- f) Consider not only the possible financial impact of their decisions, but also their consequences for sustainable development, their effect on relations with stakeholders and the general interest of communities where the Company operates.
- g) Meet the leadership and integrity requirements of responsible leadership, code of conduct and financial probity of a director in accordance with the Companies Act and Memorandum and Articles of Association of the Company.
- h) Preserve his or her independence of analysis, judgement, decision and action and to resist any pressure, direct or indirect, whether by other Directors, member groups, creditors, suppliers and any third party.

Conflict of Interest

Each Board of Director undertakes to disclose to the Board fully and immediately it comes to his/her attention any real or potential conflict of interest direct or indirect, which they may have. A Director with such a conflict shall not participate in any discussion of any such topic or vote on it.

Board Remuneration

The remuneration of the Board of Directors shall be as per the regulations approved by the Government from time to time. The Directors shall also be paid such travelling, subsistence and other reasonable expenses incurred by them in attending, from their usual place of residence and returning from any meetings in connection with the business of the Company according to the rates approved by the Government of Kenya from time to time.



IX. MANAGEMENT DISCUSSION AND ANALYSIS

The Company's performance during the financial year is as tabulated below:

I. OPERATIONAL PERFORMANCE

During the year ended June 30, 2025, the Company performance improved due to steady supply of molasses at a reduced cost hence lower cost of production,

a. Molasses Procurement

The Company's operations depend on the quantity of molasses that we procure from the sugar companies. During the financial year 2024/2025, the Company procured 65,982 tons (2023/2024: 55,149) tons of molasses against a target of 65,000 tons.

b. Production

The Company produced 14.621 million liters of alcohol, 15 tons of ADY and 691 tons of Wet Yeast against the budget of 14.4 million liters of alcohol, 200 tons of ADY and 850 tons of Wet Yeast. The Company fell short of achieving the set production target for ADY and Wet Yeast due to stiff competition from imported instant yeast . The Company performance in the last five years is a as tabulated below:

PRODUCTION	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Alcohol "000: Lts	13,874	15,007	12,005	8,174	14,621
% of Installed Capacity	77%	83%	67%	45%	81%
ADY (Tons)	39	30	15	22	15
% of Installed Capacity	3%	3%	1%	2%	1%
Wet Yeast (Tons)	603	724	741	629	691
Carbon dioxide	399	458		30	129
Compounded Spirit	-	16,147	22,710	12,000	11,298

The carbon dioxide plant broke down in 2022/2023 and spirit bottling plant commenced in 2010/2011.



c. **Sales**

The Company sold 13.724 million liters of alcohol, 15 tons of ADY and 691 tons of Wet Yeast against the budget of 14.40 million liters of alcohol, 200 tons of ADY and 850 tons of Wet Yeast. The Company sales performance in the last 5 years is as tabulated below:

SALES	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Alcohol "000: Lts	13,495	15,128	14,955	7,761	13,724
% of Installed Capacity	75%	84%	83%	43%	76%
ADY (Tons)	39	29	13	21	15
% of Installed Capacity	3%	2%	1%	2%	1%
Wet Yeast (Tons)	603	724	741	629	691
Carbon dioxide	399	458		30	126
0 Compounded Spirit	2,675	15,021	19,611	11,811	7,342

There was no sales of carbon dioxide in 2022/2023 due to plant breakdown.



II. FINANCIAL PERFORMANCE

The Company's performance in the last five years is as tabulated below:

AGRO CHEMICAL AND FOOD COMPANY LIMITED INCOME STATEMENT FOR THE LAST FIVE YEARS					
	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
SALES	1,509,691,352	1,683,768,679	1,920,742,305	1,626,422,089	2,045,033,108
OTHER INCOME	63,607,209	71,363,079	36,413,528	27,857,136	58,931,636
TOTAL INCOME	1,573,298,562	1,755,131,758	1,957,155,832	1,654,279,225	2,103,964,744
COST OF SALES					
Materials, Energy& Packing	788,746,081	1,054,044,833	1,775,865,997	1,348,629,964	980,623,927
Direct Salaries,Wages& Benefits	266,364,713	263,403,475	262,109,803	265,791,556	272,245,526
Plant Maintenance & Other Factory Overh	102,221,019	86,890,332	97,669,160	53,144,511	75,603,561
Selling and distribution	4,792,169	5,728,212	6,720,314	5,025,201	4,405,477
Excise duty	4,355,148	24,552,275	37,466,413	18,794,124	13,212,631
TOTAL COST OF SALES / DIRECT COSTS	1,166,479,131	1,434,619,126	2,179,831,687	1,691,385,356	1,346,091,123
GROSS PROFIT/(LOSS)	406,819,431	320,512,632	(222,675,854)	(37,106,132)	757,873,621
ADMINISTRATION EXPENSES	95,357,407	89,528,318	78,320,816	122,185,638	112,983,763
ESTABLISHMENT EXPENSES	16,689,168	19,903,746	30,186,674	25,968,860	72,910,397
FINANCE EXPENSES	777,043	360,498	26,513	265,489	(7,254,809)
STAFF COSTS	114,156,306	113,174,549	112,395,773	114,106,367	116,904,430
	226,979,924	222,967,112	220,929,776	262,526,354	295,543,781
PROFIT \ (LOSS) BEFORE LOAN INTEREST & DEPRICIATION	179,839,507	97,545,520	(443,605,630)	(299,632,485)	462,329,841
DEPRECIATION	110,863,972	100,631,130	105,399,186	106,383,800	113,799,072
AMORTIZATION	98,325	4,103,250	4,103,250	4,373,250	4,373,250
PROFIT (LOSS) BEFORE LOAN INTEREST,TAX AND EXCHANGE	68,877,210	(7,188,860)	(553,108,066)	(410,389,535)	344,157,519
(GA IN)/ LOSS					
INTEREST ON LOANS	294,966,325	306,712,978	327,349,981	345,457,152	390,159,550
PROFIT / (LOSS) BEFORE TAX	(226,089,115)	(313,901,838)	(880,458,047)	(755,846,687)	(46,002,031)
TAXATION	11,050,261	7,172,362	7,495,478	2,178,861	10,652,916
PROFIT / (LOSS) AFTER TAX	(237,139,376)	(321,074,200)	(887,953,525)	(758,025,548)	(56,654,947)



III. PROJECTS OR INVESTMENTS

During the year, the Company implemented the Capital projects as per the approved procurement plan.

IV. COMPLIANCE WITH STATUTORY REQUIREMENTS

During the financial year, the Company complied with all the statutory requirements and remitted all taxes due in good time.

V. CHALLENGES FACING THE COMPANY

The Company faces challenges in operations as enumerated below:

- Cheap alcohol in the spirit market
- Competition from other distilleries
- Slow Privatization process
- Negative Share Capital/Equity
- High Cost of major inputs Fuel oil and chemicals.

VI. MATERIAL ARREARS IN STATUTORY AND OTHER FINANCIAL OBLIGATIONS

The Company has no material arrears in Statutory obligations and all obligations were remitted in time. However, due to liquidity challenges the Company did not repay the GOK loan during the year and the balance stood at Kshs. 11,300,885,652.



X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Agro Chemical exists to transform lives. This is our purpose, the driving force behind everything we do. It is what guides us to deliver our strategy, putting the customer/ Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

I. SUSTAINABILITY STRATEGY AND PROFILE

The company's sustainability strategy aims to create long-term value for the firm, its stakeholders and the wider society. ACFC aims to build a culture of sustainability with its employees and all its stakeholders as identified in its strategic plan for 2023/2024 to 2027/2028. The company has developed a sustainability policy covering economic, environmental and social pillars which it continues to implement while carrying out its operations.

a. Molasses Sourcing

ACFC operates in a dynamic environment and hence the supply of its main raw material, molasses, is not assured and depends on unpredictable weather conditions. During the year 2024/25 the company achieved its target of molasses procurement of 65,982 tons compared to a budget of 65,000 tons.

b. Ethanol Market

The alcohol market in which ACFC operates has suffered from adverse competition from emerging distilleries as well as cheap imports from neighbouring countries. During the year, the company was not able to achieve the reported turnover as a result of lack of molasses. Since ACFC operates a standalone distillery, it continues to experience cost disadvantages compared to its peers in the alcohol market.

c. Enhanced Product Range

In order to achieve financial sustainability, ACFC considers diversification as key in its strategic plan. The Company has continued to launch new products. We are hopeful that the new initiatives will pick up in the coming years, leading to enhanced company revenues and profitability.

d. ENVIRONMENTAL PERFORMANCE REPORT FOR ACFC

ACFC environmental sustainability practices are guided by the national environmental performance and environmental sustainability performance contracting requirements. The Company has developed an internal environmental policy statement to guide its day to day activities in view of managing the environmental aspects that may emanate from its operations.



In line with its environmental policy statement the Company focused in following key areas:

Statutory requirements

II. ACFC has installed an operational waste management strategy for:

- a. Liquid waste (effluent) where it has installed a functional effluent treatment plant. It has also taken an opportunity to generate biogas (a green technology) for internal generation of steam thus compensating on reliance in high density fuel oil.
- b. In solid waste management, ACFC has engaged a NEMA contracted waste handling external service provider to ensure safe solid waste management. The Company is already implementing the best available practices i.e., recycle, reuse, reduce and recover (4Rs) of solid waste management.

III. Environmental compliance

The Company has continually carried out plant annual statutory environmental audits, plant inspections and environmental impact assessments for new installations. Alongside these requirements the Company is also carrying out hazardous waste management through incineration. The Company continues to forward environmental sustainability reports to NEMA on a quarterly basis as per the performance contracting guidelines.

IV EMPLOYEE WELFARE

This process is usually done based on the guidelines outlined on section 2.16 of the Human Resource Policies and Procedures Manual. This entails development of a Human Resource plan based on comprehensive job analysis and which is reviewed every year to address emerging issues and needs.

All vacant positions within the establishment, which are to be filled substantively originate from the various HODs supported by good justification for the recruitment and confirmation that the positions are not only within the approved establishment but also fully funded within the budget.

Gender mainstreaming & persons with disability:

The Company observes gender mainstreaming balance on appointment, promotion and ensure that a minimum of a third (1/3) are of either gender with consideration on Disability or Diversity.

Staff Performance Appraisal System:

This process is guided by section 8. of the Human resource policy. It outlines processes involved in work planning, setting of agreed performance targets, feedback, and reporting. It is linked to other human resource systems and processes including employee development, career guidelines, placement, rewards, and sanctions.



The overall objective of the appraisal system is to manage and improve performance by enabling a higher level of members of staff participation and involvement in planning, delivery, and evaluation of work performance.

This framework therefore establishes a basis for rewarding exemplary performance and administering sanctions for poor performance, motivating employees to have a positive attitude to work and to enhance productivity in the Company.

Training /Skills Development:

As embedded on section 9 of the Human Resource Policy Manual and Career Progression manual, the company continuously upgrade employee's core competencies, knowledge, skills, and attitudes to ensure that their performance meets and/or exceeds the minimum expectations and benchmarks of best practices to ensure effective delivery of its broad mandate. This helps employees enhance their efficiency and effectiveness, gain competencies and skills, desired work ethics and values and corporate culture, in preparation for future technological and structural needs.

Health, Safety

In line with section 14 of the Human Resource policy, The Company commits itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it will implement policies and programs that assure their protection from such hazards and disasters. The policies and programs will be implemented in compliance with the provisions of the Occupational Safety and Health Act, 2007 and other Labour Laws. In compliance the Company obtains a workplace certificate from the Director of Occupational safety and health (DOSHS).

V. Market place practices

The Company has in place a service charter that enables it to achieve the highest possible

level of customer satisfaction. The service charter provides for fair pricing mechanism by considering competitor's prices as well as production costs incurred by the company while setting prices of goods and services.

The Company regularly meets competitors in order to come up with base prices of its goods and services. The Company has in place an anti-corruption policy wherein people are encouraged to report corruption practices through the recommended channels.

a. Responsible competition practice.

ACFC upholds ethical marketing practices in its endeavors to ensure sustainable business growth. The product packaging adopted by the Company is always environmentally friendly.



While selling spirits to customers the Company always ensures adherence to the existing laws and regulations governing each product. All product labels are approved by KEBS with each product line subjected to stringent quality checks since the Company considers quality a key selling point to its customers.

Over the years, the Company has been involved in CSR activities with annual budget allocation to support Community programs as part of its ethical behavior within the society.

Through various medias, the Company places advertisements that are aimed at ensuring disclosure of critical information on its products including inputs used in the production process and at all times making sure that no such adverts are considered offensive to competitors.

b. Responsible Supply chain and supplier relations .

The Company considers the environmental and human impact on our products' journey through the supply chain, from raw materials sourcing to production, storage, delivery, and even transportation. The goal is to minimize environmental harm from factors like energy usage, water consumption and waste production while having a positive impact on the people and communities in and around our operations.

Dealing with our suppliers on sustainability

- Use of sustainable packaging material -all the products are packaged in cartons which can be recycled for reuse,
- Good payment terms to molasses transporters and other suppliers- the credit policy of 30 days after delivery is always adhered to. As such there is timely delivery of goods, works and services to the factory.
- Procurement from vulnerable members of the society. There is an allocation of 30 % of the procurement budget to this group of the local community which has created a good relationship between the organization and the local community.
- Pre-qualification of suppliers-all suppliers are evaluated before they are incorporated in our supplier database and re-evaluated periodically to ensure that the company deals with only those suppliers who practice ethical trading.
- Local sourcing of goods works, and services. Access to 40% of procurement budget is spent on local procurement. As this improves the bottom line the cost of transport from overseas and custom duty is avoided.



Product stewardship

ACFC endeavors to safeguard consumer rights and interests through compliance with all the relevant legislations. We provide annual forums for our customers and also arrange visits to their premises so as to be able to address their concerns.

In addition, we maintain customer complaints handling infrastructure with seamless feed-back system for purposes of ensuring prompt response to customer issues.

Corporate Social Responsibility/Community Engagements

The Company continued to actively participate in various projects as per our Corporate Social Responsibility (CSR) policy.

The Company continues to run Muhoroni Comprehensive School which is fully funded by the Company. The school enroll children from the employees and the neighbouring community and is one of the top performing schools in the Country.



XI. DIRECTORS' REPORT

The Directors present their report, statement of profit & loss and other comprehensive income, the statement of financial position, statement of changes in equity and statement of cash flows for the year ended 30th June 2025.

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. The company also produces bottled spirits and carbon dioxide.

Results:

The results of the Company for the year ended June 30, 2025, are as set out on page 39. Below is a summary of the Company's performance during the year.

During the year 2024/2025, the Company produced 14.621 million liters of alcohol, 15 tons of Active Dry Yeast, 691 tons of Wet Yeast and realized a turnover of Ksh. 2,045,033,108 (2023/202 1,626,422,089). The operating profit before interest on loans was Kshs. 344,157,508: of Kshs. 410,389,535). However, after charging interest on loan of Kshs. 390,159,550 (2023/2024: Kshs. 345,457,152), the Company registered a net loss of Kshs.46,002,042 (2023/2024: loss of Kshs. 755,846,687). After charging corporate tax of kshs. 10,652,916 (2023/2024 Kshs. 2,178,861) the company registered a loss of Kshs. 56,654,948 (2023/2024 loss of Kshs. 758,025,548).

Dividends:

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

Directors

The members of the Board of Directors who served during the year are shown on page 6. In accordance with clause 101 of the Company's Memorandum of Association the directors are nominated by the shareholders/Institutions.



AGRO CHEMICAL AND FOOD
COMPANY LIMITED

ANNUAL REPORT & FINANCIAL
STATEMENTS FOR THE YEAR ENDING
30TH JUNE 2025

Auditors:

The Auditor General is responsible for the Statutory Audit of the Company for the year ended June 30, 2025 in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By order of the Board

SHARON CHERUIYOT
COMPANY SECRETARY

Date: 28th August 2025



XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act and Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of the Company which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the affairs of the Company for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

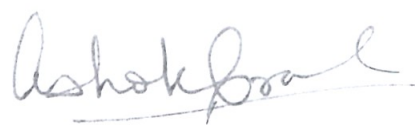
The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act and PFM Act, 2012. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025 and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial controls.

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.

Approval of the financial statements

The Company's financial statement were approved by the Board of Directors on 28th August 2025, and signed on its behalf by:


DR. WILSON TONUJ



ASHOK AGRWAL

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON AGRO-CHEMICAL AND FOOD COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Agro-Chemical and Food Company Limited set out on pages 1 to 61, which comprise of the statement of financial

position as at 30 June, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and the statement of comparison of budget and actual amounts 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Agro-Chemical and Food Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.11,953,220,827 which exceeded the total current assets balance of Kshs.1,359,209,787 resulting in a negative working capital of Kshs.10,594,011,040. Further, the Company incurred a loss of Kshs.46,002,031. This is an indication that the entity may not be able to settle its obligations as and when they fall due. Management did not demonstrate tangible measures being undertaken to reverse the negative trend which casts doubt on the Company's going concern. In addition, the shareholder's equity has negative net balance of Kshs.8,178,043,345, an indication that the Company is technically insolvent which casts doubt on its ability to continue as a going concern.

In the circumstances, these conditions alongside other matters on profitability are indicative of the Company's inability to continue as a going concern.

2. Unsupported Write Back or Write Off on Debtors/Creditors

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.303,315,053 in respect of administrative cost which includes write back or write off on debtors /creditors amounting to Kshs.2,389,983. However, Management has not provided approval of such write off /write back.

In the circumstances, the accuracy and completeness of the amount on administrative costs of Kshs.303,315,053 could not be confirmed.

3. Long Outstanding Receivable Debts under Trade and Other Receivables

The statement of financial position and as disclosed in Note 18 to the financial statements reflects a balance of Kshs.641,982,473 in respect trade and other receivables, which is

net of provision for bad and doubtful debts amounting to Kshs.66,188,541. However, review of the debtors aging analysis revealed long outstanding debtors amounting to Kshs.215,960,908 or 34% which have exceeded 120 days due for collection and Management has not demonstrated how they are going to recover the long outstanding debts.

In the circumstances, the recoverability of the long outstanding debtors amounting Kshs.215,960,908 remains doubtful.

4. Long Outstanding Trade Payables

The statement of financial position and as disclosed in Note 25 to the financial statements reflects a balance of Kshs.608,650,337 in respect of trade and other payables. However, review of the trade payables ledger revealed that invoices amounting to Kshs.45,589,944 had remained unpaid for more than 120 days contrary to Regulation 150(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that, subject to the availability of funds and proper certification of goods, works, or services, payments should be made promptly and, in any case, not later than sixty (60) days from the date of receipt of invoice

In the circumstances, the obligation to pay the long outstanding payables balance of Kshs.45,589,944 could not be confirmed.

5. Unsupported Directors Expenses

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.303,315,053 in respect to administrative cost which includes board and committee sitting allowances amounting to Kshs.6,379,103. However, review of sampled board expenses during the year under review revealed payments amounting to Kshs.1,402,170 were not accounted for and supported with the relevant expenditure documents.

In the circumstances, the accuracy and completeness of board and committee allowances amounting to Kshs.6,379,103 could not be confirmed.

6. Un-Serviced Long Outstanding Loans

Review of the loans portfolio and as disclosed in Note 27 to the financial statements, revealed that the Company's has outstanding loans amounting to Kshs.11,300,885,652. The Company took a seven-year loan of Kshs.2,941,884,000 from Paris club in 1995 for construction of the factory vide a loan agreement dated 19 October 1995 at an interest rate of 7% per annum. However, the company has not repaid the loan to date resulting in an accumulated interest on the loan of Kshs.6,986,974,425. In addition, the Company took a GOK loan of Kshs.826,074,773.80 in 1995 and last serviced the loan in 2017. The loan has accumulated interest amounting to Kshs.1,372,027,228. Management has not demonstrated measures taken to repay the loans.

In the circumstances, the Company's ability to pay the long outstanding loan balance of Kshs.11,300,885,652 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Agro-Chemical and Food Company Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual receipts on comparable basis amounting to Kshs.3,214,773,935 and Kshs.2,103,964,744 respectively resulting in underperformance of Kshs.1,110,809,191 or 35% of the budget. Similarly, the Company expended Kshs.814,528,568 against the approved budget of Kshs.737,810,758 resulting to over expenditure of Kshs.76,717,810 or 10% of the approved budget. This was contrary to Section 44 of the Public Finance Management Act, 2012 which requires all Government entities to operate strictly within the approved budgetary allocations, and to obtain supplementary approval before incurring any additional expenditure.

The underperformance on revenue affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of Company in 2024/2025 revealed that numerous matters remained unresolved as at 30 June, 2025 as detailed in **Appendix I**.

Other Information

Directors are responsible for the Other Information set out on page iii to xxxix which comprise of Key Company Information, The Board of Directors, Management Team, Chairman's Statement, Report of the Resident Director and Chief Executive, Statement of Performance against Predetermined Objectives for the financial year 2024/2025, Corporate Governance Statement, Management Discussion and Analysis, Environmental Sustainability Reporting, Report of the Directors and the Statement of Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregular Procurement of Molasses

The statement of profit or loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflect an amount of Kshs.1,341,685,645 in respect of cost of sales which includes cost of materials, energy and packing amounting to Kshs.980,623,927 which include cost of molasses amounting to Kshs.471,417,034. Review of procurement plan provided for audit revealed that Management planned to use specially permitted procurement method to procure molasses during the year under review. However, no justification and approval has been given by the Management on the use of the specially permitted procurement method contrary Regulation 107(2) (a), (c) and (d) of the Public Procurement and Assets Disposal Regulations 2020 which provides

that pursuant section 114A (3) of the Act and in applying the Specially Permitted Procurement Procedure referred to under paragraph (1), an accounting officer shall approve and issue written justification for use of the procedure upon considering its uniqueness from the other methods of procurement set forth in the Act prepare tender documents for the subject procurement which shall at least include a specification, conditions of tendering and contracting and submit the tender documents and the proposed procedure to the Cabinet Secretary for approval detailing the justification for the use of the method.

Further, Management have not provided procurement records to support procurement of 75,318 tonnes of molasses costing Kshs.471,417,034 an indication that the procurement was a mockery to the provisions of Procurement Act, 2015 and Regulations, 2020.

In the circumstances, Management was in breach of the law.

2. Non-Inclusion of Disposals in the Disposal Plan

The statement of financial position and as disclosed in Note 15(a) to the financial statements reflects a balance of Kshs.205,000 in respect of disposal of computers and accessories and furniture and equipment combined under property, plant and equipment movement schedule. However, review of the disposal plan, during the year under review revealed that the said disposals were not provided for in the 2024/2025 disposal plan an indication of lack of basis and method of disposal. This is contrary to Regulation 176. (1) of the Public Procurement and asset Disposal Regulations, 2020 which states that an accounting officer of a procuring entity shall ensure that an annual assets disposal plan is prepared of items declared as unserviceable, surplus or obsolete, obsolescence stores, asset or equipment as set out under section 53(4) of the Act.

In the circumstances, Management was in breach of the law.

3. Non-Compliance with One Third of Basic Pay Rule

Review of the Company payroll records revealed that the net salaries for various officers were less than one third of their basic pay. This was contrary to Section 19(3) of Employment Act, 2007 provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

In the circumstances, Management was in breach of the law.

4. Non-Compliance with Law on Ethnic Composition

Review of the personnel records revealed that the Company had two hundred and twenty-two (222) members of staff out of which one hundred and seventeen (117) or 53% were

from the dominant community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

In addition, analysis of recruitments done during the year under review revealed that out of nineteen (19) new appointments, 10 or 53% were members of the dominant ethnic community in the region an indication that Management has not progressively addressed the ethnic composition in the Company.

In the circumstances, Management was in breach of the law.

5. Non-Compliance with Law on Representation of People with Disabilities

Review of the Company's payroll revealed that the Company had a total number of two hundred and twenty-two (222) employees out of which only 5 or 2.25 % were persons with disabilities. Further, review of recruitments done during the year under review, revealed that out of 19 new appointments, none was person with disabilities. This was contrary to Section B 23 (2) of the Human Resource Policies and Procedures Manual for the Public Service, May 2016 on the rights and privileges of persons with disabilities on all appointments, which sets a threshold/Principle of 5% of positions to be filled by persons with disabilities.

In the circumstance, Management was in breach of the law.

6. Staff Over establishment

Review of the approved staff establishment against the actual staff employed and, in the payroll, revealed that the establishment and payroll have unapproved positions resulting to over-establishment as tabulated below

Position	Staff Establishment	Actual	Variance
Environment Assistant/Senior	5	6	1
Human Resource Assistant /Senior	2	3	1
Principal Sales and Marketing Assistant	1	3	2
Principal Audit Assistant	0	1	1

This is contrary to Section B.2 (1) of the Human Resource Policies and Procedures Manual for the Public Service (2016) which states that an entity shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plans. The plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs.

In the circumstance, Management was in breach of the law

7. Non-Compliance with Provisions of the Human Resource Policy on Special Duty

Review of payroll records revealed that ten (10) staff members were paid special duty allowance for more than six (6) months contrary to Section C.15 (1) and (4) of the Human Resource Policies and Procedures Manual for the Public Service (2016) which states that when an officer is called upon to perform duties of a higher post but does not possess the necessary qualifications for appointment to that post, he shall be paid special duty allowance at the rate of fifteen per cent (15%) of the officer's basic salary. The payment of special duty allowance will be subject to recommendation by the Human Resource Management Advisory Committee and approval by the Authorized Officer and Special Duty Allowance will not be payable to an Officer for more than six (6) months.

In the circumstances, Management was in breach of the law.

8. Irregular and Inadequate Management of Sales Orders

Review of the sales orders records revealed that sales orders were received from customers via emails, telephone calls, WhatsApp and text messages. A register was maintained but does not capture and track all the orders while communication is done on a WhatsApp group that does not have a backup and is exposed to cyber risks. This could lead to loss of data on the sales orders.

This is contrary to Section 14 (1) of the State corporations act which require that "Every state corporation shall keep or cause to be kept proper books recording all the property, undertakings, funds, activities, contracts, transactions and other business of the state corporation

In the circumstances, Management was in breach of the law.

9. Lack of Marketing Strategy

Review of the sales and distribution information showed that although the Company has several products it has not developed a marketing strategy for any of them resulting to the Department's inability to measure performance against any set targets. This is contrary to Paragraph 1,2(c) of the Mwongozo code of governance which states that it's the role of the board to set and oversee the overall strategy and approve significant policies of the organization.

In the circumstances, Management was in breach of the law.

10. Appointment Letters not Acknowledged by the Board Members

Review of the Board records revealed that members of the Board did not acknowledge appointment to the board contrary to Part 1.1(13) of the Mwongozo code of governance for state corporations which states that each board member shall signify their acceptance of the appointment in writing. No explanation has been given for failure to acknowledge the appointments.

In the circumstances, Management was in breach of the law.

11. Use of Asbestos Roofing

Audit inspection carried out in the Month of June, 2025 revealed that the Company's premises had an old administration block and some staff houses roofed with asbestos contrary to Legal Notice No. 121 of the Environmental Management and Coordination (Waste Management) Regulations, 2006. Despite the existing government directives, the asbestos roofing has neither been removed nor replaced, and no documentation was provided to confirm plans for safe disposal or replacement in compliance with NEMA-approved procedures.

In the circumstances, Management was in breach of the law.

12. Procurement of Fuel From Un-Prequalified Supplier

Review of the procurement records and documents provided for audit revealed that the Company procured fuel from a firm amounting to Kshs.2,505,345. However, the supplier was not in the list of pre-qualified suppliers contrary to Section 94 (1) and (2) of Public Procurement and Asset Disposal Act 2015, which states that an accounting officer of a procuring entity shall promptly issue pre-qualification documents to all candidates who request them and shall maintain a record of all candidates to whom documents are issued and the pre-qualification document shall contain all the information specified in section 93 and any other information necessary for the potential candidates to prepare and submit applications to be pre-qualified.

In the circumstances, Management was in breach of the law.

13. Tender for Proposed Septic Tank Construction at the Factory

The Company procured services from a firm for construction of a septic tank at the plant at a contract price of Kshs.3,029,751. However, a site visit in the month of June 2025, revealed that the bill of quantities part (K), (L) and (O) indicated that the soak-pit was to be rock-filled to pit and murrum filled to pit as instructed and it was to have a manhole construction c/w covering an average 1.2 *1.2 *1.5 m deep totalling to six (6) in number. However, only 4 manholes were constructed. In addition, the practical completion and handing over certificate dated 29 January, 2025 showed that the project was handed over but there was no evidence to show how the works not done will be addressed.

In the circumstances, Management was in breach of the law.

14. Discharge of Effluent into River Nyando without Complying with the Standards

Site visit in the month of June, 2025 across the entire plant from the production processes (initial stages) to the final processing of the Company's products, namely alcohol, yeast, and carbon dioxide, the climate change is one of the subject matters and a critical area

of interest, where the site visits also included an assessment of the Company's environmental management practices, with particular attention to the operation and maintenance of the wastewater treatment plant (WWTP).

However, the verification of the effluent discharge system revealed that the WWTP is not operating as required under prescribed technical standards due to the following anomalies;

- i. 8 out of 12 aerators were non-functional and further inquiry and review of reports revealed that the problem dated back to 2022. Initial servicing in late 2022 revealed four faulty units (Nos. 3, 4, 7, and 9), of which only No. 9 was repaired. The others were removed for workshop maintenance but have not been returned since. Between March, 2023 and January, 2025, additional aerators (Nos. 1, 5, 6, 8, 11, and 12) also failed, and none have been successfully repaired to date.
- ii. The stirrer in the clarifier which helps in the proper settling and separation of solid particles (sludge) from treated water after the biological treatment stage has not been operational for several years now. As a result, the quality of the effluent being discharged does not comply with the limits set out in the Third Schedule of the Environmental Management and Coordination (Water Quality) Regulations, 2006.

This non-compliance is supported by the effluent quality analysis certificates issued by the Government Chemist's Department, dated 9 December, 2024 and 24 January, 2025. The results show multiple parameters exceeding the permissible limits, as summarized below:

Results for 1st Quarter dated 09/12/2024		
Parameters	Regulatory Limit (NEMA 3rd Sch)	Measured Value (Ex-Lagoon 7)
Bio chemical Oxygen Demand	30	638
Chemical Oxygen Demand (C.O.D). Max.,mg/L	50	956
Electrical Conductivity	2,500	16,441(@24.3 °C)
Total Dissolved Solids (T.D.S), mg/L	2,000	8,055
E. Coil Count (ECC), max., per 100mL	Absent	>300

Results for 2nd Quarter dated 24/01/2025		
Parameters	Regulatory Limit (NEMA 3rd Sch)	Measured Value (Ex-Lagoon 7)
Bio chemical Oxygen Demand	30	998
Chemical Oxygen Demand (C.O.D). Max.,mg/L	50	1285
Electrical Conductivity	2,500	23,920(@25.7 °C)
Total Dissolved Solids (T.D.S), mg/L	2,000	5170
Total Nitrogen (TN), max., mg/L	20	208.8
Total Phosphorous (TP), max., mg/L	30	99
E. Coil Count (ECC), max., per 100mL	Absent	TNTC*

The malfunctioning of critical wastewater treatment components has led to the discharge of effluent containing pollutant levels far above the legally permitted thresholds. This constitutes a significant environmental compliance issue and requires immediate corrective action to restore the WWTP to full operational capacity.

In the circumstances, the Management is in breach of the regulatory standards on effluent management.

15. Environmental Complaints and River Water Discoloration due to the Effluent Discharge

According to the National Environment Management Authority (NEMA) guidelines, companies are required to maintain a register of environmental pollution-related complaints, including records of the actions taken in response. Review of the Company's register revealed recurring complaints from various stakeholders, including: Company staff, NEMA officers, Effluent Treatment Plant (ETP) operator and Muhoroni residents. The nature of the complaints included:

- i. Discoloration of the River Nyando, into which the Company discharges its treated effluent;
- ii. Effluent overflow at various manholes on different occasions; and
- iii. A reported incident of fish mortality in the River Nyando, believed to be linked to effluent discharge.

However, and even though the Company has taken some measures to address effluent overflow at the manholes, there is no documentary evidence to show action taken to resolve the repeated complaints about the river's discoloration.

In addition, review of the March 2025 monthly environmental and safety reports revealed that upon analysing effluent samples from Site II of the treatment plant, the colour of the

effluent discharged into the river was confirmed as dark brown—substantiating the community and staff complaints regarding river discoloration. This indicates a persistent and unresolved environmental issue that may further expose the Company to regulatory, reputational, and ecological risks.

In the circumstances, Management is in breach of the law.

16. Poor Workmanship in Construction of Classroom

A review of the contract files for the year 2024/2025, revealed that the Company entered into a contract agreement with a Contractor for the construction of one (1) classroom at a cost of Kshs.1,950,000 on 6 November, 2024 with a completion date of 1 January, 2025. The inspection and acceptance committee on 9 January, 2025 verified that the work had been done satisfactorily and recommended that the Contractor be cleared and paid his dues less retentions and taxes. However, during an audit site visit and inspection on 24 June, 2025, it was observed that at the entrance of the classroom the floor had holes, ceiling had water marks indicating that the iron sheets had leakages and walls had cracks indicating poor workmanship.

In the circumstances, Management was in breach of the law.

17. Accuracy and Accountability of Imprests

Review of the imprest records revealed an amount of Kshs.2,017,605 in respect of board expenses were not supported and the surrenders were incomplete contrary to Regulation 104(1) of the Public Finance Management (National Government) Regulations, 2015 which states that all receipts and payments voucher of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Meet Audit Committee Meeting Threshold

Review of the board meeting minutes provided for audit review showed that the Audit and Risk Committee held two (2) meetings on 3 October, 2024 and 1 April, 2025 contrary to Section 5.2 of the Gazette Notice No. 40 on Frequency and Timings of Meetings which states that the audit committee should meet at least quarterly. It is therefore not clear if the Audit and Risk Committee effectively performed their role in the governance process by providing an independent expert assessment of the activities of top management, the quality of the risk management, financial reporting, financial management and internal audit, to the executive management.

In the circumstances, in the absence of inadequate review meetings by the Audit and Risk Committee, effective governance processes of the Company could not be confirmed.

2. Failure to Implement Internal Audit Recommendations

Review of the internal audit recommendations report reveals that most recommendations made by the internal auditor and audit committee on various issues that the Management needed to act on remained unresolved. As per the report tabled at the 54th Virtual/Physical meeting held on 1 April, 2025, thirty-nine resolutions were to be acted upon by the management, however only six (6) issues had been acted upon with thirty-three remaining unresolved matters as at the time of the audit in June, 2025 contrarily to Section 162(2)(a), (b) and (c) of the Public Finance Management Act, 2012, states that an Accounting Officer shall ensure that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities and that the internal auditor with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of internal audit reports and appropriate action to be taken on internal audit recommendations.

In the circumstances, Management was in breach of the law.

3. Review of Internal Audit Reports

Review of the internal audit reports deliberated on 3 October, 2024 in the Management processes and governance structures in Sales and Distribution Department revealed the following anomalies;

3.1. Fraudulent Activities in Sales Representatives Sales Oder Accounts

The Internal Audit Report revealed that the use of a cash sale manual receipt for both cash and credit sales had previously made the Company lose more than twenty million (Kshs.20,000,000) in fraudulent activities hence should be stopped immediately. Marketing staff should embrace the use of bank accounts and mpesa services (Customers to use Pay Bill services).

Further, the Report revealed journal entries were passed to the Company's sales representative accounts from customer's accounts without their knowledge despite having stopped working for the Company. These transactions increased debts owned by sales representatives. Journal entries were also passed in specific customers' accounts to reduce the debts owed to the company without justification.

3.2. Unauthorized Customers Credits through Journal Entries

The Internal Audit Report also revealed that a sales representative account based in South Rift Region show that on 1 August, 2022, the outstanding balance was Kshs.83,520. However, a review of the Sales Representative statements showed unjustified journal entries were passed to increase the sales representative account balance long after her termination on 26 July, 2022 as follows;

- (a) A firm bought goods from the Company on 31 January, 2022 amounting to Kshs.672,000 through invoice number 16569 and by 28 July, 2022 Kshs.317,110 was pending as unpaid when the sales representative was terminated. The customer continued to trade with Company on credit basis and on 27 September, 2023 the balance was at Kshs.233,650. A journal entry number 450851 amounting to Kshs.242,100 was passed by the Finance Department to reduce the customer's account to a negative balance of Kshs.8,460. This entry increased the sales representative account (ACFC 003) to Kshs.444,630 from Kshs.202,520. As at 24 October, 2023 the Customer's account outstanding balance was Kshs.411,540 for goods given on credit. Further, the Management passed a journal entry number 450845 amounting to Kshs.107,688 in the same sales representative account reducing the account balance to Kshs.336,942.
- (b) Further, review of ACFC 006, a sales representative account statements based in Central Region revealed that goods amounting to kshs.2,046,600 were given on credit to the sales representative between 26 January, 2022 to 28 June, 2022. However, as at 28 June, 2022 the account had reduced in unexplained circumstances to an outstanding balance of Kshs.668,970. Further, thirteen (13) months later, on 27 September, 2023 a journal entry number 450857 amounting to Kshs.205,400 was passed to reduce the sales representative balance to Kshs.462,970 which is outstanding to date.

In addition to this review of Internal audit reports, Management have not provided the Sales Representative's accounts and or Statements, Sales ledgers, Debtor's accounts/statements and ledgers, List of journal entries made during the year and Quarterly Reports up to and including 4th Quarter for audit review.

In the circumstances, in absence of effective internal controls on sales and distribution of the Company's products, the Company will continue to lose funds through irregular accounting of sales.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, 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;
- ii. The information given in the Directors' report on pages xix to xx is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page xxvii has been properly prepared in accordance with the Companies Act, 2015

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 December, 2025

APPENDICES

Appendix 1: Unresolved Prior Year Matters

	Audit Issue
1	Material Uncertainty Related to Going Concern
2	Unsupported Cost of Materials, Energy and Packing
3	Inaccuracies in Inventories
4	Trade Payables with Debit Balances
5	Long Outstanding Trade and Other Receivables
6	Budgetary Control and Performance
7	Irregular Payments for Goods before Delivery
8	Non-Submission of Annual ALMANAC
9	Irregular Recruitment
10	Unauthorized Posts in the Staff Establishment
11	Non-Compliance with one Third of Basic Pay Rule
12	Non-Compliance with the Law on Ethnic Composition
13	Irregular Engagement of Legal Consultants
14	Long Outstanding Trade and Other Payables
15	Failure to Pay Interest on Loan
16	Failure to Service Borrowings
17	Goods not Invoiced
18	Failure to Meet Audit Committee Meetings Threshold
19	Non-implementation of Internal Audit Recommendations



X. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 30TH JUNE 2025

Revenues	Notes	2025 Kshs	2024 Kshs
Sales / Turnover	6	2,045,033,108	1,626,422,089
Cost of Sales	7	1,341,685,645	1,686,360,156
Gross Profit/ (Loss)		703,347,463	(59,938,067)
Other Income			
Gain/(Loss) on Disposal of non financial assets	8	151,055	1,579,500
Other Income	9	25,355,281	15,726,840
Finance Income	10	33,476,876	10,795,297
TOTAL REVENUES		58,983,212	28,101,636
OPERATING EXPENSES			
Administrative costs	11	303,315,053	262,847,245
Selling and Administration Costs	12	4,405,477	5,025,201
Finance Costs	13	382,439,854	345,380,762
Depreciation of property, plant and equipment	15 (A)	113,799,072	106,383,800
Amortization of intangible assets	16	4,373,250	4,373,250
TOTAL OPERATING EXPENSES		808,332,706	724,010,257
OPERATING PROFITS / (LOSS)		(46,002,031)	(755,846,688)
INCOME TAX			
Income Taxation Current Year	14	10,652,916	2,178,861
TOTAL INCOME TAX		10,652,916	2,178,861
Net Profit / Loss after tax		(56,654,947)	(758,025,549)



XI. STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2025

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2025

ASSETS	NOTES	2024-2025	2023-2024
		KSHS (12 Months)	KSHS (12 Months)
NON-CURRENT ASSETS			
Property, Plant and Equipment	15(A)	2,415,427,694	2,513,229,397
Intangible Assets	16	540,000	4,913,250
CURRENT ASSETS			
Inventories and Work In Progress	17	238,472,982	324,844,578
Receivables	18	641,982,473	814,710,065
Short Term Deposits	19	440,040,721	192,831,615
Prepayments	20	13,476,715	1,867,931
Cash and cash equivalents	21	25,236,896	17,792,745
TOTAL ASSETS		1,359,209,787	1,352,046,934
EQUITY		3,775,177,481	3,870,189,581
Share Capital	22	60,000,000	60,000,000
Capital Reserves	23	2,389,788,369	2,389,788,369
Accumulated deficit	24	(10,627,831,715)	(10,571,176,768)
TOTAL EQUITY		(8,178,043,345)	(8,121,388,398)
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	25	608,650,337	1,045,340,276
Provisions	26	33,082,338	33,332,741
Loans	27	11,300,885,652	10,910,726,102
Tax Payable	28	10,602,500	2,178,860
TOTAL LIABILITIES		11,953,220,827	11,991,577,979
TOTAL EQUITY AND LIABILITIES		3,775,177,482	3,870,189,581

The financial statements were approved by the Board of Directors on August 28th, 2025, and signed on their behalf by:

Ashok Agrawal

Ashok Agrawal
Resident Director
And Chief Executive

Edwin Owiti

Edwin Owiti
General Manager Finance and ICT
ICPAK M/NO. 6237

Dr. Wilson Tonui

Dr. Wilson Tonui
CHAIRMAN OF THE BOARD



XII. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025

	Share Capital	Revaluation Reserve **	Revenue Reserves	Totals
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
As at 1st July 2023	60,000,000	2,389,788,370	(9,813,151,219)	(7,363,362,849)
Profit for the year	-	-	(758,025,548)	(758,025,548)
On revaluation				-
As at 30th June 2024	60,000,000	2,389,788,370	(10,571,176,767)	(8,121,388,397)
As at 1st July 2024	60,000,000	2,389,788,370	(10,571,176,767)	(8,121,388,397)
Profit for the year			(56,654,947)	(56,654,947)
As at 30th June 2025	60,000,000	2,389,788,370	(10,627,831,714)	(8,178,043,344)



XIII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2025

	NOTES	2025 KSHS.	2024 KSHS.
Cash Generated from / (Used In) Operations			
Cash From Operations		272,678,432	(84,456,341)
Interest Paid			
Dividends Paid			
Taxation Paid		(2,178,860)	(7,495,478)
Net Cash Generated from / (Used In) Operations		270,499,573	(91,951,819)
INVESTMENT ACTIVITIES			
Purchase of assets	15	(16,099,319)	(12,466,387)
Purchase of Intangible assets			(1,080,000)
Disposal of Assets- Sales Proceeds	15	253,005	2,770,300
Net Cash Generated from / (Used In) Investing Activities		(15,846,314)	(10,776,087)
FINANCING ACTIVITIES			
Net Cash Generated from / (Used In) Financing Activities		-	-
Net Increase / (decrease)in Cash and Cash Equivalents(a+b+c)		254,653,258	(102,727,906)
Cash and cash equivalent at the beginning of the year		210,624,359	313,352,265
Cash and cash equivalent at the end of the year		465,277,617	210,624,359



XVIII

STATEMENT OF COMPARISON OF BUDGET AGAINST ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2025

Revenue	Budget	Actual Outcome	Performance Difference	Performance %	Remarks
SALES	3,191,273,935	2,045,033,108	(1,146,240,827)	-36%	Unfavourable
PROFIT / (LOSS) ON SALE OF FIXED ASSETS	2,500,000	151,055	(2,348,945)	-94%	Unfavourable
INTEREST ON TREASURY BILLS & FIXED DEPOSITS	2,000,000	33,476,876	31,476,876	1573.8%	Favourable
RENT PAID BY EMPLOYEES	7,000,000	6,707,600	(292,400)	-4%	Unfavourable
MISCELLANEOUS INCOME	12,000,000	18,596,105	6,596,105	55%	Favourable
TOTAL INCOME	3,214,773,935	2,103,964,744	(1,110,809,191)	-35%	Unfavourable
Expenses					
Cost of sales					
Materials, Energy& Packing	2,057,908,962	980,623,927	1,077,285,034	48%	Favourable
Direct Salaries, Wages& Benefits	346,059,115	272,245,526	73,813,589	79%	Favourable
Plant Maintenance & Other Factory Overheads	74,320,500	75,603,561	(1,283,061)	102%	Favourable
Selling and Distribution	2,750,000	4,405,477	(1,655,477)	160%	Unfavourable
Excise Duty	79,552,944	13,212,631	66,340,313	17%	Favourable
	-	-	-		
TOTAL COST OF SALES / DIRECT COSTS	2,560,591,521	1,346,091,123	1,214,500,398	53%	Favourable
Gross Profit	654,182,414	757,873,621	103,691,207	116%	Favourable
Expenses					
ADMINISTRATION EXPENSES	287,152,075	295,543,781	(8,391,706)	103%	Unfavourable
Depreciation and Mmortization	117,855,061	118,172,322	(317,261)	100%	Unfavourable
INTEREST ON LOANS	332,803,622	390,159,550	(57,355,927)	117%	Unfavourable
COOPORATION TAX	-	10,652,916	(10,652,916)		
Total Expenditure	737,810,758	814,528,568	(76,717,810)	110%	Favourable
Surplus	(83,628,344)	(56,654,947)	26,973,397	68%	Favourable

An explanation of material differences between Budget and actual is as summarized below:

a) **Sales**

During the current year, the sale of Alcohol, ADY, Carbon dioxide, Compounded spirits and Wet yeast decreased due to intense competition from imported yeast while Alcohol prices reduced compared to the budgeted price per liter.

b) **Materials energy and packing**

The reduction in Material, energy and packing costs is due to lower cost of inputs like molasses and fuel oil.

c) **Other Incomes**

Interest earned on fixed deposits increased due to the improved cash balance.



XIX.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025

1. GENERAL INFORMATION

Agro Chemical and Food Company Limited was incorporated under the Kenyan Companies Act Cap 486. The address of its registered office is as follows:

Registered Office

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

Principal place of Business

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

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. The company also produces bottled spirits and carbon dioxide.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Company Act, 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 loss after tax of Kshs. 56,654,948 (2023/2024: Kshs. 758,025,548) during the year which was added to accumulated losses totaling Kshs. 10,627,831,726 (2023/2024: 10,571,176,768). In addition, the Company was in a net current liability position of Kshs. 10,594,011,040 (2023/2024: Kshs. 10,639,531,045). The negative net liability is due to the classification of the GOK loan of Kshs. 11,300,885,652 (previous year Kshs. 10,910,726,102) as current liability since the repayment date is due. These and other conditions indicate doubt as to the going concern status of the company. Management has put in place the following measures to address the situation:

- Prepared a cabinet memorandum with a proposal to write off the loan.
- Invested in new projects such as Carbon dioxide and Compounded spirits to improve the profitability of the Company.
- Invested in a biogas 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.
- Introduced new product lines like Agro Plus, hand sanitizers and Mediplus spirits to improve the bottom line.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in the foreseeable future.

3. **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

i) ***New and mended standards and interpretations in issue effective in the year ended 30 June 2025.***

Title	Description	Effective date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.



Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.



Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.	1 January 2026
---	---	----------------

The Directors have assessed the applicable standards and amendments. Based on their assessment of the impact of the application of the above they do not expect that there will be a significant impact on the Company's financial statements.



**APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS)**

ii) **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.**

Title	Description	Effective date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

The

Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Company's financial statements.

III. **Early adoption of standards**

The Company did not early – adopt any new or amended standards in year 2024/2025.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Revenue Recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will follow the Company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the Company's activities net of Value added Tax (VAT), excise duty and discounts where applicable and when specific criteria have been met for each of the Company's activities as describe below:

- i) **Revenue from sale of spirits, yeast, carbon di-oxide and compounded spirits** are recognized in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is assured.
- ii) **Finance Income** comprises interest receivable from bank deposit and is recognized in profit and loss on a time proportion basis using the effective interest rate method.
- iii) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit on rental agreement.
- iv) **Other income** is recognized as it accrues.

b) **Property plant and Equipment**

All categories of property, plant and equipment are recorded at cost less accumulated depreciation and any impairment losses.

Certain categories of property plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued at periodic intervals usually after five years by independent external valuers. The basis on valuation is depreciated replacement cost.

Increases in the carrying amount arising on revaluation are credited to the statement of comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account. All other decreases are charged to profit or loss in the income statement.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items and are recognized in profit or loss in the income statement.

c) **Depreciation and impairment of property, plant, and equipment**

Freehold land and capital work in progress are not depreciated. Capital works in progress relates to costs of ongoing but incomplete works on buildings and other civil works and installations.

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 on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or re-valued amount to its residual value over its estimated useful life. The annual rates used are:

Leasehold Land	1.05%
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 & 25.0% for additions thereafter
Furniture and fixtures	15% for re-valued assets and 10% for additions thereafter.
Wet yeast Coolers	15%

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than the estimated recoverable amount and an impairment loss are recognized so that the asset is written down immediately to its estimated recoverable amount.

d) **Intangible Assets**

Intangible assets comprise the purchased computer software licenses which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year they are available for use, usually over four years.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) **Amortization and Impairment of Intangible assets**

Amortization is calculated on the straight-line basis over the estimated useful life of Computer Software of four 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

f) **Inventories**

Stocks of alcohol, yeast, Co₂ and all company products are stated at the lower of production cost and net realizable value. The costs of inventories comprise of purchase price, import duties, transportation and handling charge and it is determined on the moving average price method.

g) **Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

h) **Taxation**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates and tax laws used to compute the taxable amount are those that are enacted, at the reporting date in Kenya. Taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted with the tax legislation. The 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. 7,202,222,595 (Year 2023/2024 Kshs. 7,145,260,962).

Taxation on interest income as separate sources of income have been provided at 30% while taxation on rental income is at 10% based on the rental income earned for occupation of company houses by employees/staff.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) **Deferred tax**

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

j) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash at bank, short term deposits on call and high liquidity investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and various commercial banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) **Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by considering any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on an accrual 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. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

l) **Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) **Retirement Benefits Obligations**

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".

In accordance with the requirements of the Retirement Benefit Act 1997, the conversion approval by the Retirement Benefit Authority was granted on 30, June 2011 and the Trustee deed, Funds Management agreement, Investment policy agreement has been complied with. The accounts for 2024 have been audited and submitted to the Retirement Benefit Authority. The scheme had a total of 94 members composed of 78 active members and 16 deferred members. During the year, 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 Minet Insurance Company.

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 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.

The Company and its employees also contribute to the National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act.

The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,260 per employee per month.

n) **Contract Gratuity**

The Company has a fixed term of service with some of the employees. A contract gratuity of 31% of the basic pay earned over the contract period is paid at the end of the contract. Monetary liability is accrued at the end of each year based on the completed period of service.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) **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.

p) **Provision for staff leave**

Employees' entitlements to annual leave are recognized as they accrue to the employees. provision is made for the estimated liability for annual leave not taken at the reporting date.

q) **Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. The current ruling exchange rate against the US\$ was Kshs. 130.00 (previous year Ksh. 129.530) as at the reporting date.

r) **Budget Information**

The Company original budget for FY 2024-2025 was approved by the Board of Directors and subsequently approved by the National Treasury in compliance with the Section 11 of the State Corporations Act, Cap 446 and section 4 Part (3), of the legal notice No. 93 on state corporations (performance contracting) regulation 2004. The Company did not have any additional appropriations and the budget was implemented as approved during the financial year.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on Page on page 41 of these financial statements.

s) **Comparative figures**

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

t) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

u) **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.

v) **Leases**

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

w) **Company as a lessor**

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

x) **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 recognized in the year in which termination takes place.

y) **Borrowing Costs**

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

z) **Related Parties**

The Company regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Company, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO, and senior managers. The Government of Kenya and The Mehta Group limited (TMIL) are also considered related parties by virtue of government support and Management support, respectively.

a. **Research and Development expenditure**

Expenditure on research and expenditure is recognized 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 recognized if and only if, all 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 intangible assets.
- 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 recognized 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 recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

b. **Financial Instruments**

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. **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.

d. **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 selling in the short term or if so, designated by management.

a. **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.

f. **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.

g. 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 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



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

h. **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.

ii. **Restructuring and rationalization provisions**

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

jj. **Dividends**

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

kk. **Provisions**

Provisions were raised and management determined an estimate based on the information available. An additional disclosure of these estimates of provisions is included in note 25. Provisions are made at the management’s best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The Company has in place a bad debt provision policy where bad debts of over 5 years shall only be written off on the authority of the Board and The National Treasury and shall be made only after all reasonable steps have been taken to recover the debt.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

II. **Contingent Liabilities**

The Entity does not provide for a contingent liability but discloses details of any contingencies in the notes to the financial statements since probability is assumed as possible and not payable unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

5. **SIGNIFICANT JUDGEMENTS SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

The current liabilities of the Company is Kshs.11,953,220,827 which exceed the current assets of Kshs.1,358,903.102 by Kshs.10,594,011,051. This due to the classification of the GOK loan balance of Kshs. 11,300,885.652 as a current liability since the loan payment is due. In addition, the shareholder's funds had a deficit of Kshs.(8,178,043,356).

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the Asset based on the assessment of experts employed in the entity.
- The nature of the asset, its susceptibility and adaptability to changes in technology and process.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.
- Changes in the market in relation to the assets.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2024-2025	2023-2024
6. SALES/ TURNOVER		
Spirit Sales	1,936,286,168	1,525,645,799
Carbon Dioxide Sales	567,185	2,062,055
Yeast Sales	108,179,755	98,714,235
	2,045,033,108	1,626,422,089
7. COST OF SALES		
Materials, Energy and Packing	980,623,927	1,348,629,964
Direct Salaries, wages and benefits	272,245,526	265,791,556
Plant Maintenance and other Factory overheads	75,603,561	53,144,511
Excise Duty	13,212,631	18,794,124
	1,341,685,645	1,686,360,156
8. GAINS / (LOSS) ON DISPOSAL OF NON FINANCIAL ASSETS		
Disposal of Motor Vehicles	151,055	1,579,500
	151,055	1,579,500
9. OTHER INCOME		
Rent paid by employees	6,707,600	6,355,700
Miscellaneous Income	18,596,105	9,126,639
Other Income	51,576	244,501
Finance Income		
	25,355,281	15,726,840
10. FINANCE INCOME		
Interest on fixed deposits (NBK)	26,854,890	506,096
Interst on Call deposit	1,059,114	
Interest Recievable on Fixed deposits	4,844,040	9,888,125
Interest on fixed deposits (KCB)	718,832	401,076
	33,476,876	10,795,297



NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. ADMINISTRATIVE EXPENSES

	2024-2025	2023-2024
Staff Costs	116,676,654	113,910,667
Audit Fees	780,000	780,000
Computer Expenses	8,660,522	10,805,824
Donations	0	0
Subscriptions and Newsletter	373,494	486,894
Guest House Expenses	457,219	178,401
Legal fees	2,250,000	672,340
Management Fees	32,375,000	60,937,500
Office Expenses	3,698,032	3,279,797
Motor Vehicle running Expenses	15,314,713	10,854,543
Postage, telegrams and telephone	1,925,092	2,023,630
Printing and stationery	1,871,824	2,178,031
Travelling and Accommodation	13,202,574	8,982,946
Marketing and Nairobi office expenses	16,190,674	8,348,015
Consultancy and performance contracting activities	265,720	182,830
Entertainment	10,000	0
Security Hire	9,135,895	9,198,360
Insurance and Licenses	25,142,869	19,526,414
Rent	2,396,251	2,319,466
Repairs and renewals (Housing)	577,874	193,760
Recruitment expenses	227,776	195,700
Board and Committee Sitting Allowances	6,379,103	3,276,527
Bank Charges	516,463	586,380
Tax Penalties	4,023,753	3,278,255
Income Tax Expense Rental Income	495,123	650,965
Withholding tax arrears	42,664,511	
Write Backor write off on Debtors/Creditors	(2,389,983)	
	-	
	303,315,053	262,847,245



NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. (B). STAFF COSTS	2024-2025	2023-2024
Salary and allowances for Permanent employees	288,741,971	274,750,386
Wages for Casual staff	8,215,312	4,843,681
Employer's Contribution to the NSSF	8,976,037	4,061,317
Medical Insurance Schemes	25,903,361	23,453,753
Employer Contributions to Pension Scheme	11,717,072	11,324,423
Leave pay and Gratuity	5,536,789	22,803,745
Gratuity Provisions	2,961,762	5,136,025
Other Staff Welfare costs	36,869,875	33,328,893
	388,922,180	379,702,223
Direct Salaries ,wages and benefits (Note 7)	272,245,526	265,791,556
Staff Costs (Note 11)	116,676,654	113,910,667
	388,922,180	379,702,223

	2024-2025	2023-2024
The average number of Employees at the end of the year was:		
Permanent Employees - Management	103	92
Permanent Employees - Union staff	121	128
Temporary and Contract Employees	9	6
Total	233	226

Staff Costs are classified on the ratio of 70% for direct salaries, wages, and benefits under Note 7 and 30% for indirect salaries, wages and benefits under administrative costs Note 11.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. SELLING AND DISTRIBUTION EXPENSES	2024-2025	2023-2024
Vehicle Distribution Costs		226,215
Distribution Staff Costs	4,405,477	4,798,986
	<u>4,405,477</u>	<u>5,025,201</u>
13. FINANCE COST	2024-2025	2023-2024
Exchange Gains on Operations	(7,719,696)	(76,390)
Interest on loans	390,159,550	345,457,152
	<u>382,439,854</u>	<u>345,380,762</u>
14. INCOME TAX EXPENSE / (CREDIT)	2024-2025	2023-2024
a) Current taxation		
Current Taxation based on Profit from Separate sources on income at 30%	10,652,916	7,495,478
Previous Year Taxation	2,178,860	2,178,860
Tax paid	(2,178,860)	(7,495,478)
Total	<u>10,652,916</u>	<u>2,178,860</u>



**AGRO CHEMICAL AND FOOD COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

NOTE (15) SCHEDULE OF PROPERTY, PLANT & MACHINERY AND EQUIPMENT

COST / VALUATION	Leasehold Land Kshs.	Building, Housing & Factory Kshs.	Plant and Machinery Kshs.	Wet Yeast Coolers	Capital Work in Progress Kshs.	Motor Vehicles Kshs.	Computers and Accessories	Furniture and Equipment Kshs.	Total Kshs.
COMPRISING As at 1st July 2024	62,000,000	441,195,999	2,029,106,377	4,057,855	216,770,577	54,717,861	11,573,454	5,763,225	2,825,185,348
On Revaluation									-
Revalued Cost	62,000,000	441,195,999	2,029,106,377	4,057,855	216,770,577	54,717,861	11,573,454	5,763,225	2,825,185,348
Additions		4,292,889	222,018,832				717,534	363,886	227,393,141
Transfers					(211,293,822)				(211,293,822)
On Disposal							(20,000)	(185,000)	(205,000)
As at 30th June 2025	62,000,000	445,488,889	2,251,125,209	4,057,855	5,476,755	54,717,861	12,270,987	5,942,111	2,841,079,667
DEPRECIATION As at 1st July 2024	1,953,000	33,089,700	241,693,790	1,498,178	-	23,172,064	8,469,297	2,079,921	311,955,951
On Revaluation									-
	1,953,000	33,089,700	241,693,790	1,498,178	-	23,172,064	8,469,297	2,079,921	311,955,951
On Disposal							(19,800)	(83,250)	(103,050)
Charge for the Year July 2024- June 2025	651,000	11,137,223	90,045,008	608,678		8,823,836	1,720,627	812,700	113,799,072
As at 30th June 2025	2,604,000	44,226,923	331,738,799	2,106,856	-	31,995,900	10,170,124	2,809,371	425,651,973
NET BOOK VALUE									
As at 30th June 2025	59,396,000	401,261,966	1,919,386,410	1,950,999	5,476,755	22,721,961	2,100,863	3,132,740	2,415,427,694
As at 30th June 2024	60,047,000	408,106,299	1,787,412,587	2,559,677	216,770,577	31,545,797	3,104,156	3,683,304	2,513,229,397



AGRO CHEMICAL AND FOOD COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Annexe 15(a)

NOTE (15A) SCHEDULE OF PROPERTY, PLANT & MACHINERY AND EQUIPMENT

COST / VALUATION	Leasehold Land Kshs.	Building, Housing & Factory Kshs.	Plant and Machinery Kshs.	Wet Yeast Coolers	Capital Work in Progress Kshs.	Motor Vehicles Kshs.	Computers and Accessories	Furniture and Equipment Kshs.	Total Kshs.
COMPRISING									
As at 1st July 2023	62,000,000	441,195,999	2,016,849,625	2,965,000	220,103,124	56,227,861	9,615,253	5,411,064	2,814,367,926
On Revaluation									-
Revalued Cost	62,000,000	441,195,999	2,016,849,625	2,965,000	220,103,124	56,227,861	9,615,253	5,411,064	2,814,367,926
Additions					11,396,387				11,396,387
Transfers			12,256,752	1,092,855	(14,728,934)		2,097,166	352,161	(14,728,934)
On Disposal						(1,510,000)	(138,965)		15,798,934
As at 30th June 2024	62,000,000	441,195,999	2,029,106,377	4,057,855	216,770,577	54,717,861	11,573,454	5,763,225	2,825,185,348
DEPRECIATION									
As at 1st July 2023	1,302,000	22,059,800	160,529,535	889,500	-	14,725,711	5,205,976	1,317,793	206,030,316
On Revaluation									-
On Disposal	1,302,000	22,059,800	160,529,535	889,500	-	14,725,711	5,205,976	1,317,793	206,030,316
Charge for the Period July 2023- June 2024	651,000	11,029,900	81,164,255	608,678	-	8,823,836	3,344,003	762,128	(458,165)
As at 30th June 2024	1,953,000	33,089,700	241,693,790	1,498,178	-	23,172,064	8,469,297	2,079,921	311,955,951
NET BOOK VALUE									
As at 30th June 2024	60,047,000	408,106,299	1,787,412,587	2,559,677	216,770,577	31,545,797	3,104,156	3,683,304	2,513,229,397
As at 30th June 2023	60,698,000	419,136,199	1,856,320,090	2,075,500	220,103,124	41,502,150	4,409,277	4,093,271	2,608,337,610



NOTES TO THE FINANCIAL STATEMENTS (Continued)

VALUATION

Land and Buildings were valued by Lloyd Masika independent valuer in July 2021 on a depreciated replacement cost basis of valuation. These amounts were adopted on 30th June 2022.

16. INTANGIBLE ASSETS

COST	2024-2025	2023-2024
As at July 1, 2024	17,493,001	16,413,001
Additions	-	1,080,000
Disposals	-	-
On revaluation	-	-
As at June 30, 2024	17,493,001	17,493,001
AMORTISATION		
As at July 1, 2024	12,579,750	8,206,500
Charge for the year	4,373,250	4,373,250
ON REVALUATION	-	-
Disposals	-	-
Impairment loss	-	-
As at June 30, 2025	16,953,000	12,579,750
NET BOOK VALUE		
As at June 30, 2025	540,000	4,913,251

17. INVENTORIES AND WORK IN PROGRESS

	2024-2025	2023-2024
Raw materials and spares	217,087,380	273,710,158
Finished Goods	16,997,576	45,492,570
Work In Progress	4,388,026	5,641,851
	238,472,982	324,844,579

18. TRADE AND OTHER RECEIVABLES

	2024-2025	2023-2024
Trade Debtors	544,141,287	709,349,511
Staff Recoverable	17,798,932	13,832,297
Creditors with debit Balances	58,214,380	65,477,984
Other debtors	88,016,416	92,238,814
Total	708,171,014	880,898,606
Provision for Bad and Doubtful debts	(66,188,541)	(66,188,541)
	641,982,473	814,710,065



NOTES TO THE FINANCIAL STATEMENTS (Continued)

18.(a) TRADE RECEIVABLES	2024-2025	2023-2024
Gross Trade receivables	544,141,287	709,349,511
Provision For bad Debts	(66,188,541)	(66,188,541)
Net Trade Receivables	477,952,746	643,160,970

At June 30, the ageing analysis of the gross trade receivables was as follows:

Less than 30 days	147,281,870	160,281,155
Between 30 and 60 days	99,734,584	(286,225,903)
Between 61 and 90 days	82,700,117	60,032,806
Between 91 and 120 days	(1,536,193)	223,098,650
Over 120 days	215,960,908	552,162,804
	544,141,287	709,349,511

18.(b) Reconciliation of Impairment Allowance for Trade Receivables

At the beginning of the year	66,188,541	66,188,541
Additions during the year		
Recovered during the year		
Written off during the year		
At the end of the year	66,188,541	66,188,541

18. (c) STAFF RECEIVABLES	2024-2025	2023-2024
Gross staff loans and advances	17,798,932	13,832,297
Provision for impairment loss		
Net Staff Loans	17,798,932	13,832,297
Less: Amounts due within one year	17,798,932	13,832,297
Amounts due after one year	0	0

Provision for bad and doubtful debts relate to specific provisions made between the years 2008/2009 and writebacks made composed of Kshs. 62,508,649 for trade receivables and Kshs. 3,679,892 for staff debtors who left company services.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHORT TERM DEPOSITS

	2024-2025	2023-2024
National Bank of Kenya	405,040,721	190,686,485
Kenya Commercial Bank	35,000,000	2,145,130
	440,040,721	192,831,615

The average effective interest rate on the short term deposits as at June 30, 2025 was 8%
2024 was 6.0%

20. PREPAYMENTS

	2024-2025	2023-2024
Insurance	647,025	603,745
Advance payments Imports	11,379,689	
Prepaid Expenses	1,450,001	1,264,187
	13,476,715	1,867,932

21. BANK AND CASH BALANCES

	2024-2025	2023-2024
Cash at Bank	24,722,338	17,027,307
Cash in Hand	514,548	765,437
	25,236,886	17,792,744



NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. (b) Detailed analysis of cash and Cash Equivalents

Financial Institution	Account Number	2024-2025	2023-2024
a) Current Account			
National Bank Current Account Kisumu	01020000782601	52,031	36,236,231
Absa Current Account - Kisumu	1009560	1,926,676	1,417,544
National Bank Current Account Harambee Avenue	1020000782600	757,070	1,533,135
Kenya Commercial Bank School Account- Muhoroni	1104055325	1,845,585	644,104
Kenya Commercial Bank -Muhoroni	1104043084	10,908,393	6,396,457
KCB JUNIR SECONDARY ACCOUNT - MUHORONI	1312149833	4,175,431	416,667
Sub Total		19,665,185	46,644,139
b) On Call Deposits			
		127,492,670	331,363
Sub Total		127,492,670	331,363
c) Fixed Deposits Accounts			
National Bank of Kenya		405,040,721	190,686,485
K.C.B FIXED DEPOSIT		35,000,000	2,145,130
Sub Total		440,040,721	192,831,615
d) Foreign Currency Account (US\$)			
Nbk US Dollar Account- Harambee Avenue	0200007826500	3,658,390	3,658,849
Sub Total		3,658,390	3,658,849
e) Savings Account			
National Bank of Kenya Savings Account Kisumu	1241000782600	1,398,764	2,809,165
Sub Total		1,398,764	2,809,165
f) Others- Cash in Hand			
Petty cash - Nairobi Office		0	106,355
Petty Cash Muhoroni		289,993	653,504
Petty Cash School		224,555	5,578
Sub Total		514,548	765,437

22. ORDINARY SHARE CAPITAL

	2024-2025	2023-2024
Authorized 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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. REVALUATION RESERVE

Revaluation reserve relates to the revaluation of property plant and equipment. As indicated in the statement of changes in equity, this is stated after the transfer of excess depreciation net of related tax to retained earnings. Revaluation reserve is not distributable.

24. RETAINED EARNINGS/ACCUMULATED DEFICIT

Retained earnings represent amounts available for distribution to the Company's shareholders. Undistributed retained earnings are utilized to finance the Company's business activities

25. TRADE AND OTHER PAYABLES

	2024-2025	2023-2024
Trade Payables	63,085,255	326,432,926
Debtors with credit Balances	180,254,505	184,910,010
Other Payables	365,310,576	533,997,339
	<u>608,650,336</u>	<u>1,045,340,275</u>

Aging Analysis for Trade Other Payables

Under one Year	603,818,934.0	1,040,508,872.7
1- 2 Years		
2-3 Years		
Over 3 Years	4,831,402	4,831,402
Total	<u>608,650,336</u>	<u>1,045,340,275</u>

26. PROVISION

	2024-2025	2023-2024
Balance as at the beginning for staff Leave	22,796,745	8,860,543
Balance as at the beginning for Service Gratuity	10,535,995	8,330,109
Provision for staff Leave at the beginning of the year	19,591,521	22,796,745
Provision for Service Gratuity at the beginning of the year	2,954,822	2,205,886
Staff Leave paid during the year	(22,796,746)	(8,860,543)
Service Gratuity paid during the year	-	
	<u>33,082,338</u>	<u>33,332,740</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. BORROWINGS	Interest Rate	2024-2025	2023-2024
Paris Club Rescheduled loan	7%	2,941,884,000	2,941,884,000
Accrued interest on Paris Club Loan		6,986,974,425	6,781,042,545
Interest on GOK paid Loan	15.15% : 2023/24 12.20%	1,372,027,228	1,187,799,558
		11,300,885,652	10,910,726,103
27. (B) BORROWINGS MOVEMENT		2024-2025	2023-2024
Balance at beginning of the year		10,910,725,744	10,565,268,592
Interest For the period		390,159,550	345,457,152
Repayment of Loan		0	0
Balance at the end of the year		11,300,885,294	10,910,725,744
Less : Amounts due within one year (Current year portion)		11,300,885,294	10,910,725,744
Amounts due after one year (Non-Current year portion)		0	0

The Company has an outstanding loan of Kshs. 11,300,885,652 with the Government of Kenya comprising of the principal Paris club loan of Kshs. 2,941,884,000 and interest thereon of Kshs. 6,575,110,665 charged at 7%.

The second loan is the GOK paid loan where the Company has already paid the principal. The balance of Kshs. 1,372,027,228 is Interest charged on the balance interest at the average ruling lending rate during the year. The interest rate for the current year is 15.15% (2022/2024 13.31%)

The loans have been classified as current liabilities because they are due, and the Government of Kenya can recall the loan within the 12 months of trading.

The Company "does not have a conditional right to defer settlement of the liability for at least twelve months." Further to this, for an entity to classify a liability as non-current, the period of the repayment of the liability should be specific and backed by a legal document, say a contract of borrowing which in this case is lacking.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. TAX PAYABLE	2024-2025	2023-2024
Tax Brought Forward	2,178,861	7,495,525
Income tax charge	10,602,500	2,178,861
Tax Paid	(2,178,861)	(7,495,525)
	<u>10,602,500</u>	<u>2,178,861</u>

29. CAPITAL COMMITMENTS	2024-2025	2023-2024
Authorized and Contracted	21,451	65
Authorized but not Contracted	1,549	154,347
TOTAL	<u>23,000</u>	<u>154,412</u>

Capital Commitments relate to Capital projects that were budgeted for and authorized to be spent during the year. Projects authorized and contracted were awarded while those authorized but not contracted were not executed and have no liability arising.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. NOTES TO THE STATEMENT OF CASHFLOWS			
	NOTES	2025 KSHS.	2024 KSHS.
a) Reconciliation of operating profit/(loss) to cash generated from/Notes (used in) operations			
Operating Profit/(Loss)		(56,654,947)	(758,025,548)
Adjustment for items not involving movement of funds:			
Interest on Loans	26 (B)	390,159,551	345,457,152
Depreciation	11 15(A)	113,799,072	106,383,800
Amortization	16	4,373,250	4,373,250
Profit on Disposal of property Plant and Equipment	8	(151,055)	(1,579,500)
Tax Charged Current year	14	10,652,916	2,178,861
Net Operating Profit before changes in working capital changes in working capital:		462,178,787	(301,211,985)
Increase/ (Decrease) in working Capital			
Increase in inventories		86,371,596	(71,723,612)
Increase in receivables		172,727,592	(177,602,798)
Increase in payables		(436,689,940)	449,939,968
Staff Leave payable current year		19,591,521	22,796,745
Tax paid		(11,608,784)	
Staff Leave paid		(22,796,746)	(8,860,543)
Gratuity Paid		-	-
Gratuity Payable Current year		2,954,822	2,205,886
Over provision of Income tax last period			-
Tax Payable			
Net Cash generated / (used in) operations		272,728,849	(84,456,341)
b) Analysis of changes in Loans			
Balance as at the beginning of the year		10,910,725,744	10,565,268,592
Receipts during the year		-	-
Repayments during the year		-	-
Accrued Interest		390,159,550	345,457,152
Balance at the end of the year		11,300,885,294	10,910,725,744
c) Analysis of Cash and Cash Equivalent			
Short term deposits		440,040,721	192,831,615
Cash at Bank		24,722,348	17,027,307
Cash in Hand		514,548	765,437
Balance as at the end of the year		465,277,617	210,624,359



NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. CONTINGENT LIABILITIES

i) Bank Guarantees	2024-2025	2023-2024
a) Kenya Airways (Expiring on 30-06-2026)	500,000	500,000
b) KEMSA (Expiring on 25-04-2026)	2,532,600	
c) Kenya Revenue Authority Expiring on 18-12-2027)	145,000,000	144,000,000
d) Kenya Medical Research Institute		100,000
	148,032,600	144,600,000
ii) Letters of credit	KSHS	KSHS
	0	
Sub Total	0	0
Total Guarantees	148,032,600	144,600,000

The Company has bank guarantees and letters of credit with National Bank of Kenya on account of suppliers who do not offer credit facilities to the Company for their services. The directors are of the opinion that no liability will arise in relation to the guarantees and letters of credit.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. RELATED PARTY TRANSACTIONS a) Government of Kenya

a) The Government of Kenya owns 56% of the Company shareholding through its shareholders ADC 28% and KDC 28%. The Company also has an outstanding loan of Kshs.11,300,885,652 with the government of Kenya.

b) The Mehta International Limited

The Mehta International Limited owns 44% of the shareholding in ACFC and such a related party. The company provides management services to the company in line with the existing Management contract.

Other related parties Other related parties include

- i) Key Management
- ii) Board of Directors



NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. RELATED PARTY TRANSACTIONS

Transactions with related parties

i) Government of Kenya	Kshs	Kshs
Government of Kenya Loan	11,300,885,652	10,910,726,103

ii) The Mehta Group Limited	Kshs	Kshs
Management Fees	32,375,000	60,937,500

	0	0
Key Management remuneration	Kshs	Kshs
Directors	6,379,103	3,276,527
Resident Director and Chief executive	1,280,475	1,212,000
Key Management remuneration	24,291,504	24,291,504
	31,951,082	28,780,031

Due from related parties

Due from Government of Kenya	NIL	NIL
Due from The Mehta Group	NIL	NIL
	NIL	NIL
Total Due	NIL	NIL

Due to related parties

	Kshs	Kshs
Due to Government of Kenya	11,300,885,652	10,910,726,103
Due to The Mehta Group	32,375,000	NIL
Due to senior management staff	NIL	NIL
Total Due	11,333,260,652	10,910,726,103

The Compensation for the Resident Director and Chief executive relates to compensation paid for his local travel when executing official duties. The salary for the chief executive is paid by the management agent under the management Contract hence not recognized in the financial statements.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. FINANCIAL 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 and analyze these risks, set appropriate risk limits and controls, and to monitor the risks and at the same time ensure adherence to laid down limits. This is achieved by means of a reliable up-to-date information system.

The company's Board Audit and risk 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 which is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to pay amounts in full when due for goods sold to customers and investments in short term 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 on trade receivables in terms of the sale of yeast to some customers on credit and who are to pay after a period defined by the management.

The management assess the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by directors. The amounts presented in the statement of financial position 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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

The carrying amount of financial assets recorded in the financial statements representing the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows.

Credit Risk	Fully Performing	Past due	Impaired	Total
As at June 30, 2025	Kshs	Kshs	Kshs	Kshs
Cash and cash equivalents	465,277,607			465,277,607
Trade receivables	544,141,287	215,960,908		760,102,195
Total	1,009,418,893	215,960,908	0	1,225,379,791
As at June 30, 2024				
Cash and cash equivalents	210,624,359			210,624,359
Trade receivables	709,349,511	552,162,804		1,261,512,315
Total	919,973,870	552,162,804	0	1,472,136,674

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Company has a significant concentration of credit risk on amounts due from 60 days.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated. The bank balances are fully performing.

b. Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium, and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Liquidity Risk	Less than 1 Month	Between 1 to 3 months	Over 3 months	Total
As at 30th June 2025				
	Kshs	Kshs	Kshs	Kshs
Trade Payables	22,595,843	14,401,560	26,087,851	63,085,255
Other Payables	545,565,082			545,565,082
Current portion of borrowings	11,300,885,652			11,300,885,652
Provisions	33,082,338			33,082,338
Tax Payable	10,602,500			10,602,500
Total	11,912,731,415	14,401,560	26,087,851	11,953,220,827
As at 30th June 2024				
Trade Payables	326,432,926			326,432,926
Other Payables	718,907,349			718,907,349
Current portion of borrowings	10,910,726,102			10,910,726,102
Provisions	33,332,741			33,332,741
Tax Payable	2,178,861			2,178,861
				0
	11,991,577,979	0	0	11,991,577,979

c) Market Risk

i) Foreign currency Risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are made in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Foreign Currency Risk			
	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2025			
Financial assets (investments, cash , debtors)	3,658,390		3,658,390
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset / (liability)	3,658,390	0	3,658,390
	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2024			
Financial assets (investments, cash , debtors)	3,658,849		3,658,849
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset / (liability)	3,658,849	0	3,658,849

The entity manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting expected sales proceeds and matching the same with expected payments.

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

ii) Foreign Currency Sensitivity analysis

Foreign Currency sensitivity			
	Change of Currency rate	Effect on profit before tax	Effect on equity
2025.	Kshs	Kshs	Kshs
US Dollar	10%	-24,345	
2024			

As at 30th June 2022 an increase /decrease of 10 percentage points would have resulted in an increase/decrease in pre-tax profits of kshs. 450,421 (2022/2023 Kshs. 517,914). This risk is attributed to the Bank deposits of US\$. 32,033.50 held in foreign currency.3



NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavored to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

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 accepted standards of corporate behavior.

The Company's objective is to manage operational risk 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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

- 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 maximizing 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 26 as well as retained earnings and issued capital as presented on note 21. Consistent with others in the industry, the company monitors capital on the 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.

Capital Risk Management

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation/ Capital reserve	2,389,788,369	2,389,788,369
Retained earnings	(10,627,831,726)	(10,571,176,768)
Total Funds	(8,238,043,356)	(8,181,388,398)
Total borrowings	11,300,885,652	10,910,726,102
Less cash and bank balances	465,277,607	210,624,360
Net debt / (excess cash and cash equivalents)	10,835,608,045	10,700,101,743
Gearing	-76%	-76%

34 INCORPORATION

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



35. EVENTS AFTER THE REPORTING PERIOD

There were no significant material adjusting and non-adjusting events after the reporting period.

36. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs.)



Appendix I IMPLEMENTATION STATUS REPORT ON MATTERS RAISED BY THE OFFICE OF THE AUDITOR GENERAL FOR
THE YEAR ENDED 30TH JUNE 2024

AUDIT MATTER	MANAGEMENT REPOSE	IMPLEMANTATI ON STATUS
<p>1. Material Uncertainty Related to Going Concern</p> <p>The statement of profit or loss and other comprehensive income reflects a loss of Kshs. 758,025,948 (2022/2023-loss Kshs. 887,985,525). Further, the current liabilities of Kshs. 11,991,577,979 exceeds the current assets of Kshs. 1,352,046,934 by Kshs. 10,639,531,045. In addition, the shareholder's funds had a deficit of Kshs. 8,121,388,398 rendering the Company technically insolvent. However, this fact was not disclosed in the notes to the financial statements as required under IAS1:25 on presentation of financial statements. Management did not demonstrate tangible measures being undertaken to reverse the negative trend which casts doubt on the Company's going concern.</p> <p>In the circumstances, these conditions alongside other matters on profitability are indicative of the company's inability to continue as a going concern.</p>	<p>We agree with your observation that The statement of profit or loss and other comprehensive income reflects a loss of Kshs. 758,025,948 (2022/2023 -loss Kshs. 887,985,525).</p> <p>We also agree with your observation that , the current liabilities of Kshs. 11,991,577,979 exceeds the current assets of Kshs. 1,352,046,934 by Kshs. 10,639,531,045. In addition, the shareholder's funds had a deficit of Kshs. 8,121,388,398 rendering the Company technically insolvent.</p> <p>As explained to the auditors, the current liabilities exceeds the current assets since the GOK loan of Kshs. 10,910,725,744 as explained in Note 26 of the financial statements are due and have been disclosed as current liabilities.</p> <p>The Company has also introduced other fast moving consumer goods to improve its profitability.</p>	<p>The audit query is still pending till the restructuring or write off of the GOK loan.</p> <p>Cabinet memo has been prepared for dealing with this issue.</p>
<p>2. Unsupported Cost of Sales</p> <p>The statement of profit and loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects an amount of Kshs. 1,686,360 relating to cost of sales as disclosed in Note 7 to</p>	<p>We agree with your observation that the statement of profit and loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects an</p>	<p>The Company has prepared evaluation reports, approved professional opinions and other related</p>



<p>the financial statements. Included in this amount is materials, energy and packing cost of Kshs. 1,348,629,964, out of which Kshs. 1,054,928,824 was in respect of molasses received during the year under.</p> <p>Review of the procurement plan for the year under review revealed that Management planned to use specially permitted procurement method to procure molasses. However, tender evaluation reports, approved professional opinions and other related procurement documents in support of the procurement of 55,804 tons of molasses were not provided for audit review.</p> <p>In the circumstances, the accuracy and validity of cost of molasses received during the year valued at Kshs. 1,054,928,824 could not be confirmed.</p>	<p>amount of Kshs. 1,686,360 relating to cost of sales as disclosed in Note 7 to the financial statements. Included in this amount is materials, energy and packing cost of Kshs. 1,348,629,964, out of which Kshs. 1,054,928,824 was in respect of molasses received during the year under.</p> <p>We also agree you're your observation that the management planned to use specially permitted procurement method to procure molasses.</p> <p>The procurement method was approved and included in the procurement plan.</p> <p>As advised we prepare tender evaluation reports, approved professional opinions and other related procurement documents in support of the procurement of molasses.</p>	<p>procurement documents in support of the procurement of molasses.</p> <p>The company has also written to PPRA to approve the use of specially permitted procedures.</p>
<p>3. Inaccuracies in inventories</p> <p>The statement of profit or loss and other comprehensive income and as disclosed in Note 17 to the financial statement reflects a balance of Kshs. 324,844,578 in respect of inventory and work in progress. However, the stock take report reflected Kshs. 317,267,110 resulting to a variance of Kshs. 7,577,468 which was not reconciled or explained.</p> <p>In the circumstances the accuracy of inventory and work in progress</p>	<p>We agree with your observation that the statement of profit or loss and other comprehensive income and as disclosed in Note 17 to the financial statement reflects a balance of Kshs. 324,844,578 in respect of inventory and work in progress.</p>	<p>Audit matter has been resolved with the reconciliation.</p>



<p>balance of Kshs. 324,844,578 could not be confirmed.</p>	<p>We also agree with your observation that the stock take report reflected Kshs. 317,267,110 resulting to a variance of Kshs. 7,577,468. The variance was reconciled and adjusted accordingly.</p>	
<p>4. Trade Payables with Debit Balances</p> <p>The statement of financial position and as disclosed in Note 24 to the financial statements reflects trade and other payables balance of Kshs. 1,045,340,276, out of which Kshs. 184,910,010 relates to payables with debit balances. However, the amounts have not been reclassified to receivables as required by the standards. Further, of this amount, Kshs. 57,433,128 has been outstanding accounts for periods exceeding 120 days indicative of Company making prepayments to suppliers.</p> <p>In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs. 1,045,340,276 could not be confirmed.</p>	<p>We agree with your observation that The statement of financial position and as disclosed in Note 24 to the financial statements reflects trade and other payables balance of Kshs. 1,045,340,276.</p> <p>However the amount of Kshs. 184,910,010 out of which Kshs. 184,910,010 relates to Debtors with credit balances (prepayment made by debtors) and not payables with debit balances.</p> <p>Hence the classification under trade other payables is correctly done.</p>	<p>The audit query is closed as the debtors with credit balances have been correctly classified as trade and other payables.</p>
<p>5. Long Outstanding Trade and Other Receivables.</p> <p>The statement of financial position and as disclosed in Note 18 to the financial statements reflects Trade and other receivables balance of Kshs.816,577,996 which was a increase by Kshs.177,602,798 compared to the prior year balance of Kshs.638,975,198.</p>	<p>We agree with your observation that the statement of financial position and as disclosed in Note 18 to the financial statements reflects Trade and other receivables balance of</p>	<p>The audit query is closed and the customers have made the payments to ACFC.</p>



<p>Review of aging analysis provided for audit review indicated that out of the total amount of Kshs. 816,577,996 debtors of Kshs, 552,162,803 or 67% of the dues were outstanding for more than 120 days with some dating back to the year 2005.</p> <p>In the circumstances, the accuracy and recoverability of the receivables balance of Kshs. 816,577,996 could not be confirmed.</p> <p>The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Agro-Chemical and Food Company Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.</p>	<p>Kshs.816,577,996 which was a increase by Kshs.177,602,798 compared to the prior year balance of Kshs.638,975,198</p> <p>We also agree with your observation that a review of aging analysis provided for audit review indicated that out of the total amount of Kshs. 816,577,996 debtors of Kshs, 552,162,803 or 67% of the dues were outstanding for more than 120 days.</p> <p>The huge amount above 120 days related to the increase in deliveries made to one of our customers UDV ltd who had a recievable amount of Kshs. 419,322,025 owing to huge deliveries made to them in March 2024.</p> <p>The Company has now regularized its payments.</p>	
<p>Basis of conclusion</p> <p>6. Irregular payment of goods before delivery</p> <p>Review of purchase orders and movement schedules under costs of sales revealed that during the year under review, Management prepaid for two thousand one hundred and twenty-five (2,125) tons of molasses valued at Kshs. 28,094,660. No exemption was provided for payment for the products before delivery. This was contrary to section 146 of</p>	<p>The Company pays for molasses in advance to secure the product since most Company do not allow credit sales.</p> <p>The molasses paid in advance was subsequently delivered during the financial year 2024/2025.</p>	<p>Audit matter resolved with delivery of molasses paid for in advance.</p>



<p>the Public Procurement and Asset Disposal Act, 2015 which requires that no works, goods or services contract shall be paid for before they are executed or delivered and accepted by the Accounting Officer of a procuring entity.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>Advance payment allows the company to secure sufficient and quantities of molasses. Molasses advance policy available as approved by the Board.</p>	
<p>7. Non-Submission of annual ALMMANAC</p> <p>Audit review of board documents revealed that Management did not provide evidence of submission of their ALMANAC to State Corporations Advisory Committee (SCAC) through the parent Ministry of Agriculture. This was contrary to the Office of the President Circular Ref. OP/CAB.9/1A dated 11 March, 2020 which requires that all Board of Directors to submit their annual ALMANAC through the Ministry on 30 June of every year.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>We agree with your observation that Audit review of board documents revealed that Management did not provide evidence of submission of their ALMANAC to State Corporations Advisory Committee (SCAC) through the parent Ministry of Agriculture.</p> <p>We also agree with your observation that this was contrary to the Office of the President Circular Ref. OP/CAB.9/1A dated 11 March, 2020 which requires that all Board of Directors to submit their annual ALMANAC through the Ministry on 30 June of every year.</p> <p>The non-submission was an oversight and as recommended, the management will ensure that it complies with the laid down guidelines by submitting the report by the deadline.</p>	<p>Audit matter still closed with the ALMANAC report for the year 2025/2026 has been forwarded after Board approval.</p>
<p>8. Irregular recruitment</p> <p>Review of the personal records revealed that Management recruited drivers. However, one driver did not meet the qualification as per the</p>	<p>We agree with your observation that Review of the personal records revealed that Management recruited drivers.</p>	<p>Audit matter closed.</p>



advertisement as he did not have six (6) years driving experience, suitability test for Drivers Grade I from the Ministry of Roads and Public Works, First Aid Certificate Course lasting not less than one (1) week from a recognized institution and general computer knowledge. Further, the driver did not go through the recruitment process as required.

Further, management advertised for two vacant posts in the local dailies which closed after nine (9) and fourteen days respectively. This was contrary to section B 4(1) of the Public Service Commission Human Resource Policies Manual, 2016 which requires Government agencies to advertise all vacant posts in a manner that reaches the widest pool of potential applicants and allow for at least twenty-one (21) days before closing the advert.

In the circumstances, Management was in breach of the Public Service Commission Human Resource Policies Manual, 2016.

We also agree with your observation that, one driver did not meet the qualification as per the advertisement as he did not have six (6) years driving experience, suitability test for Drivers Grade I from the Ministry of Roads and Public Works, First Aid Certificate Course lasting not less than one (1) week from a recognized institution and general computer knowledge.

We also agree with your observation that the driver did not go through the recruitment process as required.

As explained to the auditors, by the time of the advertisement Mr. Dennis Mwenda was already employed by the Company on Temporary appointment for a period of one year.

Mr. Mwenda had demonstrated his ability to perform the tasks required by his role and was one of the few drivers assigned trucks for delivery of Company products. A recommendation was made that he be absorbed as a permanent employee based on his performance during the period he was on a temporary appointment and also having met the minimum education qualification and experience including First-Aid training at National Youth Service (NYS).



<p>9. Unauthorized Post In Establishment</p> <p>Review of staff establishment provided revealed that the staff establishment for environmental assistant was five (5) against the actual in post of six (6). Further, the staff establishment indicated that Human Resource Assistant cadre was over established by one officer. No justifiable explanation was provided for the over establishment.</p> <p>In the circumstances, Management was in breach of the Company policies.</p>	<p>We agree with your observation that a review of staff establishment provided revealed that the staff establishment for environmental assistant was five (5) against the actual in post of six (6).</p> <p>We also agree with your observation that the staff establishment indicated that Human Resource Assistant cadre was over established by one officer.</p> <p>The variance in the approved staff establishment vis a viz the in-post arose as a result of horizontal transition of staff from the previous grading structure to the current approved grading structure. The approved structure has twelve (12) grades as opposed to the previous structure which had fourteen (14) grades.</p> <p>The Management is addressing the gap through promotion of staff in lower cadre who meet the minimum qualification for promotion to the higher grade and also through redeployment. However, for employees who occupy positions which are over established and cannot be promoted or redeployed will occupy the positions until they exit the Company through natural attrition as provided for in the approved HR Instruments.</p>	<p>Audit matter resolved</p>
<p>10. Non-Compliance with the one Third Basic Pay Rule</p> <p>The statement of profit or loss and other comprehensive income reflects administration expenses of Kshs. 262,847,245.</p>	<p>We agree with your observation The statement of profit or loss and other comprehensive income</p>	<p>Audit matter still pending with negotiations with financial</p>



<p>Included in this amount is an amount of Kshs. 113,910,667 relating to salaries for one hundred and twenty -one (121) officers.</p> <p>Review of payrolls for the year under review revealed that the officers received salaries that were less than one third of their basic salaries. This was contrary to section 19(3) of Employment Act, 2007 provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>reflects administration expenses of Kshs. 262,847,245. Included in this amount is an amount of Kshs. 113,910,667 relating to salaries for one hundred and twenty -one (121) officers.</p> <p>We agree also agree with your observation that a review of payrolls for the year under review revealed that the officers received salaries that were less than one third of their basic salaries and this was contrary to section 19(3) of Employment Act, 2007 provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.</p> <p>As explained to the auditors, some of our employees took bank loans and were appraised on the basis of the one third rule. However, these employees later on acquired additional loans from Sacco without adhering to the one third rule. Most employees have also been affected by the deductions on their pay slips like Affordable Housing Levy, SHIF etc.</p> <p>The management has advised the affected staff to visit their lenders and restructure the loans for a longer period in view of these new deductions. We have also informed our</p>	<p>institutions ongoing.</p>
---	--	------------------------------



	<p>Sacco and employees that all loans must be within the one third threshold and advised the employees to regularize their earnings immediately.</p> <p>The company makes recovery for housing and school fees in the payslips. If considered Nos below $\frac{1}{3}$ rule will be reduced.</p>	
<p>11. Non-Compliance with Law on Ethnic Composition</p> <p>Review of the personnel records revealed that the Company had two hundred and thirty-one (231) members of staff out of whom one hundred and twenty-two (122) or 53% were from the dominant community. This was contrary to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public officers shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community. Further, review of the payroll for the month of June, 2024 revealed that out of two hundred and thirty-one (231) officers, one hundred and eighty-five (185) were males while only forty-six (46) were female, which translates to 20% of the total work force.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>We agree with your observation that review of the personnel records revealed that the Company had two hundred and thirty-one (231) members of staff out of whom one hundred and twenty-two (122) or 53% were from the dominant community.</p> <p>We also agree with your observation that this was contrary to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public officers shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.</p> <p>We also agree with your observation that further, review of the payroll for the month of June, 2024 revealed that out of two hundred and thirty-one (231) officers, one hundred and eighty-five (185) were males while only forty-six (46) were female, which translates to 20% of the total work force.</p> <p>As explained to the auditors our Company is domiciled in Kisumu County where the Local community is dominant in terms of population hence achieving provisions of</p>	<p>Audit matter still pending.</p> <p>The company is addressing this gradually and is currently at 50% (dominant ethnic community).</p>



	<p>Article 232(1)(h) has been a challenge. However, the population of other communities has continued to increase over the years.</p> <p>However, we wish note that the Company has made tremendous improvement to adhere to the provisions of Article 232(1)(h) on ethnicity and gender parity in the last Five (5) years</p>	
<p>12. Irregular Engagement of Legal consultants</p> <p>The statement of profit or loss and other comprehensive income reflects administration expenses of Kshs. 262,847,245 as disclosed in Note 11 to the financial statements. Included in this amount is Kshs. 672,340 relating to legal costs.</p> <p>However, review of records revealed that the Attorney General did not authorize the engagement of the law firm. This was contrary to Section 17(1) of the Office of the Attorney General Act, 2012 which provides that no Ministry or Departments shall engage the services of a consultant to render any legal services relating to the functions of the Attorney General without the approval of the Attorney General.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The statement of profit or loss and other comprehensive income reflects administration expenses of Kshs. 262,847,245 as disclosed in Note 11 to the financial statements. Included in this amount is Kshs. 672,340 relating to legal costs.</p> <p>We also agree with your observation that a review of records revealed that the Attorney General did not authorize the engagement of the law firm contrary to Section 17(1) of the Office of the Attorney General Act, 2012 which provides that no Ministry or Departments shall engage the services of a consultant to render any legal services relating to the functions of the Attorney General without the approval of the Attorney General.</p> <p>The provisions of Section 17 (1) only applies to Government Ministries and not state corporations..</p>	<p>Audit matter closed</p>
<p>13. Long Outstanding Trade and Other Payables</p> <p>The statement of financial position and as disclosed in Note 24 to the financial statements reflects trade and other payables balance of Kshs. 1,045,340,275</p>	<p>We agree with your observation that the statement of financial position and as disclosed in Note 24 to the financial</p>	<p>Audit matter resolved due to improved cash flow in the current financial year, and</p>



<p>out of which an amount of Kshs. 326,432,926 relates to trade payables. Review of the aging analysis for the trade and other payables revealed that trade payables amounting to Kshs. 214,037,896 had been outstanding for over 120 as at year end. It was not clear why Management did not settle the outstanding accounts as a first charge.</p> <p>Failure to settle accounts payable when the fall due may result in avoidable costs being incurred in the form of fines and penalties.</p>	<p>statements reflects trade and other payables balance of Kshs. 1,045,340,275 out of which an amount of Kshs. 326,432,926 relates to trade payables.</p> <p>We also agree with your observation that a review of the aging analysis for the trade and other payables revealed that trade payables amounting to Kshs. 214,037,896 had been outstanding for over 120 as at year end.</p> <p>The Management did not settle the outstanding accounts as a first charge due to inadequate cash balances occasioned by the low sales and low cashflow as a result of lower sales..</p>	<p>hence all suppliers paid.</p>
<p>14. Failure to pay Interest on loan</p> <p>The statement of profit or loss and other comprehensive income and as disclosed in Note 26 to the financial statements reflects a loan balance of Kshs. 10,910,726,102. Review of loan schedule revealed that the Company had accumulated loan default interest totaling to Kshs. 345,457,152. Management did not demonstrate any efforts made to pay the outstanding loan interest.</p> <p>Failure to settle accounts payable when the fall due may result unnecessary costs in form of fines and penalties.</p>	<p>We agree with your observation that the statement of profit or loss and other comprehensive income and as disclosed in Note 26 to the financial statements reflects a loan balance of Kshs. 10,910,726,102. Review of loan schedule revealed that the Company had accumulated loan default interest totaling to Kshs. 345,457,152.</p> <p>The Management was not able to pay the loan interest amounting to Kshs. 345,457,152 due to poor cash balances occasioned by lack of molasses leading to low production and low sales.</p>	<p>Audit matter not resolved.</p> <p>Awaiting loan restructuring or write off.</p>
<p>15. Failure to service borrowings</p> <p>The statement of financial position and as disclosed in Note 26 to the financial statements reflects loans balance of Kshs.</p>	<p>We agree with your observation that the statement of financial position and as disclosed in</p>	<p>Audit matter not resolved.</p>



<p>10,910,726,102. The company took a seven-year loan of Kshs. 2,941,884,000 from a club in 1995 for construction of the factory vide loan agreement dated 19 October, 1995 at an interest rate of 7% per annum. However, the company had not repaid the loan as at the time of audit, resulting in an accumulated interest on the loan of Kshs. 6,781,042,545. In addition, the Company took a GOK loan of Kshs. 826,074,772.80 in 1995 and last serviced the loan in the year 2017. The loan had accumulated interest amounting to Kshs. 1,187,799,558. Management did not demonstrate measures taken to repay the loans.</p> <p>Failure to settle accounts payable when the fall due may result in unnecessary costs in the form of fines and penalties.</p> <p>The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.</p>	<p>Note 26 to the financial statements reflects loans balance of Kshs. 10,910,726,102.</p> <p>We also agree with your observation that the company took a seven-year loan of Kshs. 2,941,884,000 from a club in 1995 for construction of the factory vide loan agreement dated 19 October, 1995 at an interest rate of 7% per annum and that the company had not repaid the loan as at the time of audit, resulting in an accumulated interest on the loan of Kshs. 6,781,042,545.</p> <p>We also agree with your observation that the Company took a GOK loan of Kshs. 826,074,772.80 in 1995 and last serviced the loan in the year 2017.</p> <p>We also agree with your observation that the loan had accumulated interest amounting to Kshs. 1,187,799,558. Management did not demonstrate measures taken to repay the loans.</p> <p>As explained to the auditors, the Company has been making payments for the GOK loan at Kshs. 150 million per annum.</p> <p>However, since the year 2017, the Company has faced serious challenges in the procurement of molasses hence low sales and production.</p> <p>This led to poor cash balances and inability to pay the loan.</p>	<p>Awaiting loan restructuring or write off.</p>
--	--	--



<p>16. Goods not invoiced Review of stores records provided by Management revealed that goods received of Kshs. 17,918,741 were not invoiced or posted in the store's ledgers. Further, it was noted that postings recorded had no monetary value attached to them while others had negative balances. In addition, the records revealed that some postings remained unreconciled since July, 2022.</p> <p>In the circumstances, the effectiveness of controls on inventory management could not be confirmed.</p>	<p>We agree with your observation that a review of stores records provided by Management revealed that goods received of Kshs. 17,918,741 were not invoiced or posted in the store's ledgers.</p> <p>As explained to the auditors, these are goods that were supplied and Goods Received Notes raised in the system but the suppliers had not sent their invoices.</p>	<p>Audit matter resolved.</p>
<p>17 Failure to meet Audit Committee meetings Threshold During the year under audit, the Audit and Risk Committee held two meetings, on 28 November, 2023 and 31 May 2024 as per the meeting minutes provided for audit review. This was contrary to Kenya Gazette No. 40 on frequency and timings of meetings which requires the Committee to meet at least quarterly.</p>	<p>We agree with your observation that during the year under audit, the Audit and Risk Committee held two meetings, on 28 November, 2023 and 31 May 2024 as per the meeting minutes provided for audit review and that this was contrary to Kenya Gazette No. 40 on frequency and timings of meetings which requires the Committee to meet at least quarterly.</p> <p>The management will ensure that the Audit and Risk Committee meets and be in compliance of the Gazette Notice.</p>	<p>Audit matter closed</p>
<p>17. Non-implementation of Internal Audit Recommendation Review of internal audit recommendations report revealed that most recommendations made by the internal auditor and audit committee on various issues remained unresolved by the Management. Review of an audit committee report tabled at</p>	<p>We agree with your observation that a review of internal audit recommendations report revealed that most recommendations made by the internal auditor and audit committee on various issues remained</p>	<p>Audit matter resolved.</p>



<p>the 53rd virtual/physical meeting held on 3 October, 2024 indicated that out of the thirty-three (33) resolutions only seven (7) issues had been acted upon by the Management.</p> <p>In the circumstances, the effectiveness of internal controls and governance systems could not be confirmed.</p> <p>The audit was conducted in accordance with ISSAI 2315 and ISSAI 2030. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.</p>	<p>unresolved by the Management as they were beyond control of the management.</p> <p>The management will ensure that the recommendations made by internal audit are resolved.</p>	
---	--	--



Appendix II: Projects implemented by (*The Entity*)

Projects

The Company had no Projects Funded by development partners during the financial year ended 30th June 2025.

Status of Projects completion

	Project	Total Project cost	Total Expended to date	Completion % to date	Budget	Actual	Sources of funds
1	DESIGN, SUPPLY AND COMMISSING OF 600M3 DISTILLERY EFFLUENT BIODIGESTER	184,863,840.90	184,863,840.90	100%	200,000,000	184,863,840.90	AIA
2	REFURBISHMENT OF MOLASSES TANK 5 AND TANK 3	10,242,214.06	10,242,214.06	100%	12,000,000	10,242,214.06	AIA
3	REBUTING OF FIRE TUBE STEAM BOILER 12 TON CAPACITY	3,439,337.97	3,439,337.97	100%	4,000,000	3,439,337.97	AIA
4	ADVANCED PROCESS AUTOMATION CONTROL SYSTEM (APACS) UPGRADE	9,608,585.00	9,608,585.00	100%	10,000,000	9,608,585.00	AIA
5	BOILER BANNER CONTROL PANEL	12,202,353.84	12,202,353.84	100%	15,000,000	12,202,353.84	AIA
6	SEPTIC TANK AT ACFC FACTORY	2,611,854.22	2,611,854.22	100%	3,500,000	2,611,854.22	AIA
7	WIP 10M3 CARBON DIOXIE STORAGE AND DISPENSING PLANT	5,451,753.82	5,451,753.82	95%	6,000,000	5,451,753.82	AIA