



AGRO-CHEMICAL & FOOD COMPANY LTD.

"Quality at its Best"

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**ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014**



Agro-chemical & Food Company Ltd.

“Quality at its Best”

Muhoroni Factory

Muhoroni Town

P.O. Box 18 - 40107 Muhoroni, Kenya

Tel: +254 20 233 4020/1, 233 4180/1

Mobile: +254 722 205 447, 722 509 700

Fax: +254 20 233 4046

E-mail: admin@acfc.co.ke

Nairobi Office

Jeevan Bharati bld, Harambee Ave.

P.O. Box 41175 - 00100, Nairobi

Tel: +254 20 223 0083, Mobile: +254 722 205 429

Fax: +254 20 317 298

E-mail: nbiooffice@acfc.co.ke



www.acfc.co.ke



OUR REF: ACFC/FIN/AGRI189/2015

August 3, 2015

Principal Secretary
State Department of Agriculture
Ministry of Agriculture, Livestock & Fisheries
Kilimo House
P.O. Box 30028-00100
NAIROBI

Attention: Mr. A. Barno

Dear Sir,

RE: ANNUAL ACCOUNTS FOR THE YEAR 2013/2014

Please find enclosed 380 copies of our audited report for the year 2013/2014 in accordance with Article 229 (8) of the Constitution of Kenya for tabling to the National Assembly by the Cabinet Secretary as stipulated by the Exchequer and Audit Act (Cap 412).

Kindly acknowledge receipt of the same.

Thank you and with best regards,

Yours faithfully,



EDWIN O. OWITI
**FOR: RESIDENT DIRECTOR
& CHIEF EXECUTIVE**

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OF KENYA
LIBRARY



Paper laid
By Hon Alan Sule
Leader of Majority,
Thur 1/10/15
[Signature]



AGRO-CHEMICAL & FOOD COMPANY LTD.

ANNUAL REPORT

&

FINANCIAL STATEMENTS

FOR THE YEAR

ENDED 30TH JUNE 2014

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Company Information

DIRECTORS AS AT 30TH JUNE 2014

ORGANISATION

NAME

Agricultural Development Corporation	Dr. Andrew K. Tuimur (Chairman)
Agricultural Development Corporation	Mr. Maxwell Mugonyi (Appointed from 10th April 2014)
Industrial and Commercial Development Corporation	Mr. Joseph C. Mwaura
Industrial and Commercial Development Corporation	Mr. Dismas J.O. Oyieko, HSC
International Investment Corporation	Mr. Suresh C. Sharma
International Investment Corporation	Mr. Nanalal P. Sheth, (Alternate to: Mr. M.N. Mehta)

Ministry of Agriculture, Livestock & Fisheries
(State Department of Agriculture)

P.S. (Alternate: Mrs. Mary Mugo)

The National Treasury

P.S. (Alternate: Mrs. Beatrice Gathirwa)

Resident Director & Chief Executive:

Mr. Ashok Agrawal

Registered Office:

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

NAIROBI

Managing Agent:

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

NAIROBI

Advocates:

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

KISUMU

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

NAIROBI

Auditors:

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

NAIROBI

Bankers:

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

Company Secretary:

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

Senior Executives:

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

Vision and Mission Statements

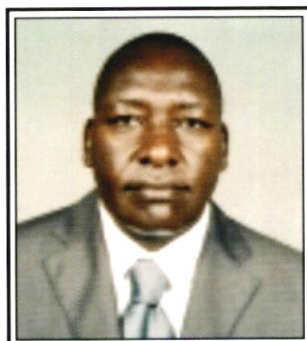
OUR VISION

To be the most efficient producer and preferred supplier of quality spirits, yeast and related products in the region for local and International markets.

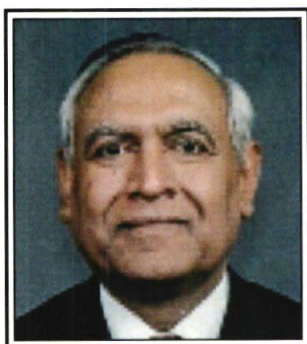
OUR MISSION

To produce a wide range of spirits, yeast and related products of world class quality using appropriate and efficient technology, satisfying customer needs, giving maximum returns to shareholders and meeting employee aspirations.

Board of Directors



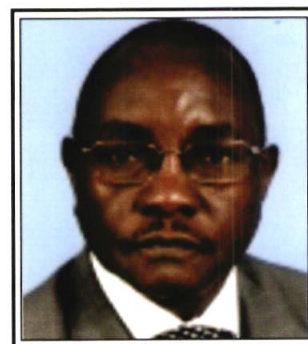
Dr. Andrew K. Tuimur



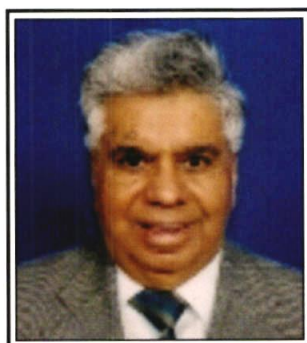
Mr. Suresh C. Sharma



Mr. Dismas J. O. Oyieko (HSC)



Mr. Joseph C. Mwaura



Mr. Nanalal P. Sheth



Mrs. Mary Mugo

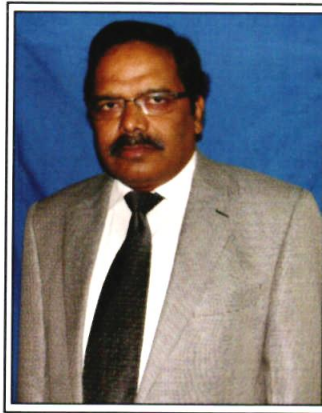


Mrs. Beatrice Gathirwa

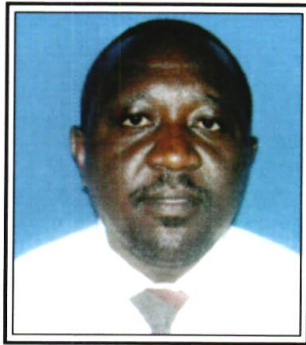


Mr. Maxwell Mugonyi

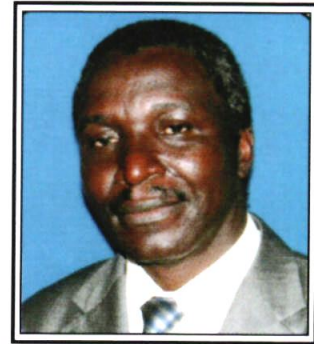
Senior Executives



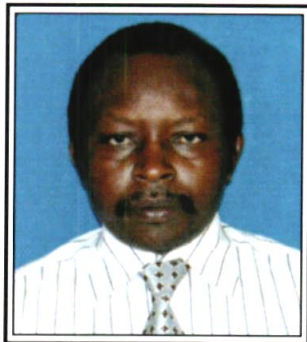
Mr. Ashok Agrawal



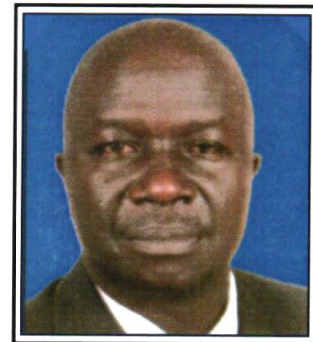
Mr. E. O. Owiti



Mr. C. O. Oguya



Mr. J. N. Njoroge



Mr. S. O. Awino



BOARD OF DIRECTORS

FULL NAMES OF CHAIRMAN, CEO & BOARD OF DIRECTORS	DESIGNATION (e.g. CHAIRMAN, CEO, MEMBER)	DATE OF APPOINTMENT	ACADEMIC PROFESSIONAL QUALIFICATIONS	EXPERIENCE (YEARS)
DR. ANDREW K. TUIMUR	CHAIRMAN	03.07.2008	M.Sc. in Vet Medicine	7
MR. ASHOK AGRAWAL	CEO	01.11.2011	B.Tech. (Chem. Engineering)	4
MR. J.C. MWAURA	MEMBER	20.01.2006	B.Com. (Accounting) CPA(K)	9
MR. D.J.O. OYIEKO	MEMBER	01.07.2011	B.Com (Accounting), MSc (Finance)	4
MR. M.N. MEHTA	MEMBER	15.12.1982	Entrepreneur/Business Executive	33
MR. S.C. SHARMA	MEMBER	26.07.1994	B.Sc	21
MR. N.P. SHETH	MEMBER	18.07.2009	Barrister of Law, Advocate	6
MRS. MARY MUGO	MEMBER	22.08.2013	B.Sc. Agric, MSc. (Agric Rural Dev.)	1
MRS. BEATRICE GATHIRWA	MEMBER	18.05.2009	B.Com (Accounting), MBA, (Moi University) CPA(K)	6
MR. MAXWELL MUGONYI	MEMBER	10.04.2014	B.Com	1

SENIOR EXECUTIVE

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

Notice of Annual General Meeting

Notice is hereby given that the, 35th Annual General Meeting of the members will be held on Monday, June 29th, 2015 in Agricultural Development Corporation Boardroom, Nairobi from 9.00 a.m.

Agenda for the meeting would be as follows:

1. To table duly executed Proxy Forms for the meeting from Agricultural Development Corporation, Industrial & Commercial Development Corporation and International Investment Corporation and note the presence of quorum.
2. To read notice convening the meeting and the agenda.
3. To confirm and approve the minutes of the 34th Annual General Meeting held on July 31, 2014.
4. a. To receive, consider and if thought fit to approve and adopt the Annual Report and financial statements for the year ended 30th June 2014, together with the reports of the Directors and the Auditors.
b. Responses by management on the issues raised by Auditors.
5. To re-appoint the Auditors, Kenya National Audit Office in accordance with Section 159 or the Companies Act (Cap. 486) Laws of Kenya and to empower Directors to fix their remuneration.
6. To transact any other business which may properly be transacted at the Annual General Meeting.

By order of the Board.



S. O. Awino
COMPANY SECRETARY

Notes

1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf, and such a proxy need not be a member of the company.
2. The form of proxy is enclosed.

CHAIRMAN'S REPORT FOR THE YEAR ENDED 30TH JUNE 2014



Dr. Andrew K. Tuimur

It is my pleasure to present the Annual Report and financial statements of ACFC for the year ended 30th June 2014.

SUMMARISED OPERATING RESULTS

The Company's operations mainly depend on the quantity of molasses supplied by sugar companies. The Company received 93,513 tons (2012/2013:76,297) tons of molasses against a budgeted quantity of 71,500 tons. The production of ADY was way below the target mainly due to the effects of the Alcoholic Drugs and Control Act 2010 leading to inadequate demand. I wish to thank management for the efforts and strategies put in place to ensure that the Company got adequate supply of molasses and the sugar factories for ensuring availability of the product.

The Company produced 16.435 million (2012/2013: 16.230 million) litres of alcohol against budgeted quantity of 15.52 million litres. Active Dry Yeast (ADY) production was 511 tons (2012/2013: 768 tons) against a budget of 1000 tons. The production was below the target mainly due to the effects of alcoholic drinks and control Act 2010 leading to inadequate demand. Wet Yeast production was 876 tons (2012/2013: 1,024 tons) against a budget of 1,300 tons representing a decrease of 424 tons below the target.

The Company realized a turnover of Kshs. 1,801.097 million against the budget of Kshs.2, 257.450 million.

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

FINANCIAL HIGHLIGHTS

PRODUCTION	2013-2014			2012-2013			2011-2012	
	BUDGET	ACTUAL	% ACTUAL BUDGET	BUDGET -	ACTUAL '000'	%e Actual Budget	BUDGET	ACTUAL
Alcohol (Lts. 000)	15,520	16,435	106%	15,000	16,230	108 %	13,500	13,945
Yeast (Tons)	1000	511	51%	1,000	768	77 %	1,000	696
Wet Yeast (Tons)	1,300	876	67%	1,200	1,024	85%	1,200	1,067
SALES:								
Alcohol (Lts 000).	15,520	16,255	105%	15,000	16,378	109%	13,500	13,811
Yeast(Tons)	1,000	489	49%	1,000	750	75%	1,000	725
Wet Yeast (Tons)	1,300	876	67%	1,200	1,024	85%	1,200	1,067
FINANCIAL INDICATORS:								
Sales Turnover (Kshs. Millions)	2,257,450	1,801,097	80%	1,832,800	1,897,711	104%	1,498,800	1,599,041
Other Income (Kshs. Millions)	37,500	62,082	166%	24,500	64,040	261%	30,600	68,020
GROSS REVENUE (Kshs. million)	2,294,950	1,863,179	81%	1,857,300	1,961,751	106%	1,529,400	1,667,061
Operating Profit Before Interest (Kshs. Millions)	525,953	407,809	78%	312,268	338,591	108%	224,267	191,508
Interest on loans	347,665	309,051	89%	354,271	324,244	92%	353,029	343,457
Net Profit (Loss)	178,288	98,758	55%	(42,003)	14,347	-	(128,762)	(15,949)

Total sales turnover for the year under review was Kshs. 1,801.097 million compared to Kshs. 1,897.711 million in the previous year. Gross Revenue includes sales turnover and other income i.e. interest on short-term deposits, sale of scrap and rent paid by employees. The gross revenue for the period was Kshs. 1.863.180 million compared to Kshs. 1,961.751 million last year. Operating profit before loan interest was Kshs. 407.809 million compared to Kshs. 338.591 million in 2012/2013. After charging loan interest of Kshs. 309.051 million (2012/2013: 324.244 million) the Company registered an overall net profit of Kshs. 98.758 million compared to a profit of kshs. 14.347 million In 2012/2013.

ACKNOWLEDGEMENT

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

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



FUTURE PROSPECTS

The future prospects depend on the quantity of molasses that the Company can obtain from sugar companies. In line with the Company's strategic plan, product diversification into Carbon dioxide and Spirit Bottling Plants whose construction has been underway and near completion will be commissioned and commercialized during the start of the next financial year. Our continued appeal to the sugar companies for affordable molasses price remains on course. ACFC is back to profitability and I am looking forward to seeing days when our Company will declare dividends to the shareholders. When the Company is finally privatized and strategic alliances entered into with sugar companies, this dream will surely be realized.

CONCLUSION

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

DR. ANDREW K. TUIMUR
CHAIRMAN

DIRECTORS' REPORT

The Directors present their report and the statement of financial position, statement of changes in equity for the year ended 30th June 2014.

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 Rectified Spirit, Extra Neutral Spirit, Industrial Methylated Spirit, Active Dry Yeast and fresh Wet yeast from sugar cane molasses for both local and export markets.

Results:

During the year the Company produced 16.435 million litres of alcohol, 511 tons of Active Dry Yeast, 876 tons of Wet Yeast and realized a turnover of Kshs. 1,801.097 million (2012/2013: 1,897.711 million). The operating profit before interest on loans was Kshs 407,809,080 (2012/2013: Kshs. 338,590,856). However after charging interest on loan of Kshs. 309,051,043 (2012/2013: Kshs. 324,243,748), the Company registered a net profit of Kshs.98,758,037 (2012/2013: Kshs. 14,347,108)

Dividends:

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

Auditors:

The Statutory auditor of the company is the Auditor General in accordance with section 12 of the Public Audit Act, 2003.



REPORT OF THE RESIDENT DIRECTOR & CHIEF EXECUTIVE

Over the years, ACFC has faced many challenges due to the ever changing business environment. The key challenges include high input costs, inadequate raw materials, emerging competition from new entrants and unfavourable regulatory framework.

Despite the aforementioned challenges, the Company during the year 2013/2014 has reported the highest ever profit before taxation of Kshs.98.758 million and a turnover of Kshs.1.8 billion. This achievement is largely attributable to the cost rationalization initiatives by the Company as well as prudent investment of organisational resources.

I wish to thank the Board of Directors, management and staff of ACFC as well as all our stakeholders for the support accorded during the year, without which this exemplary performance would not have been realized.

We have embarked on the implementation of revised Strategic Plan for 2013/2014 to 2017/2018, through divesture into CO2 and spirit bottling activities. We hope that these initiatives will help the Company to enhance its revenue base and profitability in the coming years..

In addition to profitability reporting, our Company continues to support various CSR programmes targeting the local community. During the year 2013/2014, we initiated the construction of a classroom at Mutwala Girls' Secondary School at a cost of Kshs.1.2 million and will be completed in the nex financial year. We also planted 1,150 no. of trees during the year in an endeavour towards environmental conservation.

Shareholders returns remain our focal point and as such, I am looking forward to the days when ACFC shall declare dividends. I wish to urge our shareholders for more patience as this dream will soon come true.

We hope that financial restructuring will be concluded soon and the Company will then have a healthier balance sheet and hence ability to declare some returns to the shareholders.

ASHOK AGRAWAL
RESIDENT DIRECTOR
& CHIEF EXECUTIVE

CORPORATE GOVERNANCE STATEMENT

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

Role and Responsibilities of Board of Directors

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

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

Board Composition:

The Board of ACFC is composed of nine directors representing the three shareholders vis, ADC, two directors, ICDC, two directors, IIC, three directors, representative of P.S, Ministry of Agriculture, Livestock and Fisheries (State Department of Agriculture) and representative of P.S., The National Treasury. The RD& CE plus representative of Inspector-General (Corporations), Office of the Deputy President, also attend Board meetings. Therefore, the Company Directors are not elected but are representatives of institutions by virtue of their respective offices.

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

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

Board Meetings:

The Board meets regularly and at least four times a year to, amongst other things, agree on the Company's objectives and strategies to realize the objectives, review performance against agreed targets, consider and approve the annual and interim financial statements and to discuss other matters of strategic importance to the Company. Senior management of the Company attends Board meetings by invitation, whenever necessary.



BOARD COMMITTEES:

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

a) Audit Committee

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

b) Staff and Finance Committee

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

c) Technical and Commercial Committee

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

Conduct of Business and performance reporting:

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

CORPORATE SOCIAL RESPONSIBILITY

Agro-Chemical and Food Company Limited (ACFC) has continued in active participation in various projects as per our Corporate Social Responsibility (CSR) policy. During the year the Company initiated the construction of a classroom at Mutwala Girls' secondary school and the construction will be completed in the coming year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of each financial year and the operating results of the Company for that year. It also requires that the Directors to ensure that the company keeps proper accounting records which disclose, with reasonable accuracy at any one time the financial position of the Company. They are also responsible for safe guarding the assets of the Company.

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

This statement was approved by the Board of Directors on September 19, 2014 and signed on its behalf by:



DR. ANDREW .K. TUIMUR
CHAIRMAN



JOSEPH C. MWAURA
DIRECTOR

Date.

Date.....

REPORT OF THE AUDIT OFFICE

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P. O. Box 30084 - 00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON AGRO-CHEMICAL AND FOOD COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Agro-Chemical and Food Company Limited set out on pages 18 to 47, which comprise the statement of financial position as at 30 June 2014, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. 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

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of its financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

REPORT OF THE AUDIT OFFICE

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

Basis for Qualified Opinion

1.0 Trade and Other Receivables

As reported in the previous year, the trade and other receivables balances of Kshs.333,295,704 includes an amount of Kshs.81,274,625 owed by Kenya Revenue Authority, out of which a figure of Kshs.8,263,884 is under dispute. Also, the amount includes a long outstanding amount of Kshs.11,225,758 whose recoverability remains doubtful. Any additional provision that would have been necessary to cover these uncertainties has not been included in the financial statements.

2.0 Contingent Liabilities

As disclosed in Note 21(i) to the financial statements, and as reported in the previous years, there is a pending tax demand of Kshs.229,517,721 from the Kenya Revenue Authority which is not yet finalized. There is also pending demand of Kshs.634,644,435 from Kenya Revenue Authority in respect of withholding tax assessment on interest paid to the National Treasury over a period of time. The matter is currently in court, and the outstanding liabilities have not been recognized in the financial statements. Although, the Directors are of the opinion that this demand will be vacated, it is not clear when and how the demand will be vacated and not crystallize into a liability. It has not been possible to ascertain the extent of the liability that may arise as a result of these demands.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap. 486 of the Laws of Kenya.

REPORT OF THE AUDIT OFFICE

Emphasis of matter

Going Concern

The company's net profit increased by Kshs.84,410,928 from Kshs.14,347,109 in the year 2012/2013 to Kshs.98,758,037 in the year under review. However, the current liabilities of Kshs.8,632,739,668 as at 30 June 2014 exceeded the current assets of Kshs.1,291,840,748 by Kshs.7,340,898,920. Further, the financial statements reflect accumulated deficit of Kshs.6,802,059,189 which has contributed to a negative total equity of Kshs.5,023,669,160 as at 30 June 2014. The company is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption that it will continue to receive financial support from the Government, creditors and bankers. My opinion is not qualified on this respect.

REPORT ON OTHER LEGAL AND REPORTING REQUIREMENTS

As required by the Kenya Companies Act, I report based on my audit that:

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



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

NAIROBI

15 April 2015



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2014

	Notes	2014 Kshs	2013 Kshs
Revenue	5	1,801,097,284	1,897,710,567
Cost of Sales	6	1,170,425,858	1,330,356,858
Gross Profit		630,671,426	567,353,709
Other Income	7	18,746,932	20,637,566
Finance income	8	43,335,296	43,402,430
		692,753,655	631,393,705
Costs			
Administrative costs	9	283,105,787	292,591,222
Finance Costs	10	310,889,831	324,455,374
Total Costs		593,995,618	617,046,596
Net Profit / (Loss) Before Taxation		98,758,037	14,347,109

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

		2013-2014	2012-2013
		KSHS	KSHS
ASSETS			
NON-CURRENT ASSETS	NOTES		
Property, Plant and Equipment	11	2,317,229,761	2,159,047,674
CURRENT ASSETS			
Inventories and Work In Progress	12	286,108,030	182,152,336
Receivables	13	333,295,704	317,938,516
Cash and cash equivalents	14	672,437,014	692,330,910
		1,291,840,748	1,192,421,762
TOTAL ASSETS		3,609,070,509	3,351,469,436
EQUITY			
Share Capital	15	60,000,000	60,000,000
Capital Reserves	16	1,718,390,029	1,718,390,029
Accumulated deficit	16	(6,802,059,188)	(6,900,726,232)
TOTAL EQUITY		(5,023,669,159)	(5,122,336,203)
LIABILITES			
CURRENT LIABILITIES			
Trade and Other Payables	17	192,340,967	193,793,579
Provisions	18	23,641,220	22,305,622
Loans	19	8,416,757,481	8,257,706,438
TOTAL LIABILITIES		8,632,739,668	8,473,805,639
TOTAL EQUITY AND LIABILITIES		3,609,070,509	3,351,469,436

The financial Statements on pages 18 to 47 were approved by the Board of Directors on September 19, 2014 and were signed on their behalf by:

 }
 } Directors



STATEMENT OF CHANGES IN EQUITY

For the period ended 30th June 2014	Note	Share Capital	Capital Reserve	Revenue Reserves	Totals
		(Kshs)	(Kshs)	(Kshs)	(Kshs)
As at 1st July 2012		60,000,000	1,718,390,029	(6,915,073,340)	(5,136,683,311)
Profit for the year		-	-	14,347,108	14,347,108
As at 30th June 2013		60,000,000	1,718,390,029	(6,900,726,232)	(5,122,336,203)
As at 1st July 2013		60,000,000	1,718,390,029	(6,900,726,232)	(5,122,336,203)
Administrative Expenses				(90,993)	(90,993)
Profit for the year		-	-	98,758,036	98,758,036
As at 30th June 2014		60,000,000	1,718,390,029	(6,802,059,189)	(5,023,669,160)

STATEMENT OF CASHFLOWS FOR YEAR ENDED 30TH JUNE 2014

	2013-2014 (12 Months) KSHS.	2012-2013 (12 Months) KSHS.
Net Cash Inflow from operating Activities:		
Net Profit before taxation	98,758,036	14,347,108
Adjustment for items not involving movement of funds:		
Interest on Loans	309,051,044	324,243,749
Depreciation	97,213,071	93,367,088
Profit on Disposal of property Plant and Equipment	(595,819)	(2,411,449)
Restatement of Depreciation	184,385	
Prior Year Adjustment	(90,993)	
Net Operating Profit before changes in working capital:	504,519,725	429,546,496
Changes in:		
-Inventories	(103,955,694)	87,418,495
-Receivables	(15,357,188)	(72,877,089)
-Payables	(1,452,612)	9,440,898
-Provisions	1,335,598	9,609,412
(a) Net Cash Flow from operating activities	385,089,829	463,138,212
Cash flow from investing activities:		
Purchase of assets	(255,554,725)	(157,008,818)
Disposal of Asset - Sales Proceeds	571,000	2,967,050
(b) Net Cash flow from investing activities	130,106,105	309,096,444
(c) Cash Flow from Financing activities:		
Repayment of Loans	(150,000,000)	(150,000,000)
Net Increase/(decrease) in cash and cash equivalents(a+b+c)	(19,893,895)	159,096,444
Cash and cash equivalent at the beginning of the year	692,330,910	533,234,466
Cash and cash equivalent at the end of the year	672,437,015	692,330,910

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

1. **GENERAL INFORMATION**

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

Registered Office

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

Principal place of Business

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

2. **PRINCIPAL ACCOUNTING POLICIES**

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted remain unchanged from the previous year and are stated below:

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

1) *New standards and amendments to published standards effective for the period ended 30 June 2014*

The following new and revised IFRSs were effective in the period and had no material impact on the amounts reported in these financial statements.

Amendments to IFRS 7
Disclosures - Offsetting
Financial Assets and
Financial Liabilities

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The application of the amendment had no effect on the Company's financial statements as the company did not have any offsetting arrangements in place.

New and revised standards
on consolidation joint
arrangements, associates
and disclosures

In May 2011, a package of five standards in consolidation joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IASs 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards amendment to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain guidance on first application of the standards.

IFRS 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*.

Application of these standards has not had any impact on the disclosures or the amounts recognised in these financial statements as the company does not have subsidiaries, joint arrangements and associates.

IFRS 13 Fair Value
Measurement

The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 Fair Value
Measurement

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the company has not made any new disclosures required by IFRS 13 for the 2013 comparative period.

In particular, for investment properties measured using the fair value model, the standard requires entities to consider the “highest and best use” in determining the fair value of a non-financial instrument item.

For the company, this mainly affects the land and buildings. IFRS 13 has been adopted in the company's financial statements as at 30 June 2014. Other than additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

Amendments to IAS 1
Presentation of Items of
Other Comprehensive
Income

The company has applied the amendments to IAS 1, Presentation of Items of Other Comprehensive Income, for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

IAS 19 Employee
Benefits (as revised in
2011)

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The application of the amendment had no effect on the company's financial statements as the company does not have defined benefit obligations and plan assets.

Amendments to IAS 1
Presentation of Items of
Other Comprehensive
Income

However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The new terminologies have been adopted in these financial statements. In other respects the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Government Loans
(Amendments to
IFRS 1)

These amend IFRS 1 First-time Adoption of International Financial Reporting Standards to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in relation to accounting for government loans.

First-time adopters of IFRSs are permitted to apply the requirements in paragraph 10A of IAS 20 only to new loans entered into after the date of transition to IFRSs. The first-time adopter is required to apply IAS 32 Financial Instruments: Presentation to classify the loan as a financial liability or an equity instrument at the transition date. However, if it did not, under its previous GAAP, recognise and measure a government loan at a below-market rate of interest on a basis consistent with IFRS requirements, it would be permitted to apply the previous GAAP carrying amount of the loan at the date of transition as the carrying amount of the loan in the opening IFRS statement of financial position. An entity would then apply IAS 39 or IFRS 9 in measuring the loan after the transition date

[The application of the amendment had no effect on the company's financial statements as the company did not have any offsetting arrangements in place].

Amendments to IAS 1
Presentation of
Financial Statements
(as part of the Annual
Improvements to IFRSs
2009 - 2011 Cycle
issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

ii) Relevant new and amended standards and interpretations in issue but not yet effective in the period ended 30 June 2014

<i>New and Amendments to standards</i>	Effective for annual periods beginning on or after
IFRS 9 (2014)	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to IAS 16 and IAS 38. Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 9 and IFRS 7	1 January 2015
Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements 2011-2013 Cycle	1 July 2014
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014

iii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2014

IFRS 9 Financial Instruments (2014)

IFRS 9 Financial Instruments (2014) is the finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for accounting periods beginning on or after 1 January 2018.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the company's financial statements as the Company is not an investment entity.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The application of the amendments had no effect on the company financial statements. The company has no investment entities.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The application of these amendments to IAS 32 did not have a significant impact on the company's financial statements as the company does not have any financial assets and financial liabilities that qualify for offset.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract

iii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2014(Continued)*

IFRS 15, Revenue from Contracts with Customers

- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The directors of the Company do not anticipate that the application of the standard will have a significant impact on the Company's financial statements.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

Amendments IAS 19 *Employee Benefits* clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The directors of the company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the company's financial statements as the company does not have defined benefit plans.

Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
- IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

The directors of the company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the company's financial statements.



Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 — clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 — clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the Company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Company's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

These amend IAS 16 Property, Plant and Equipment and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the company do not anticipate that the application of these amendments to IASs 16 and 38 will have a significant impact on the company's financial statements as the company's selection of depreciation method is not based on its revenues.

iv) Early adoption of standards

The company did not early-adopt any new or amended standards in the period under review.

Basis of Preparation

The financial statements are prepared on the historical cost basis of accounting as modified to ensure compliance with the requirements of the International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Kenya Shillings.

Revenue Recognition

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

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

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

Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted with the tax legislation. Current corporate tax rate is 30.0% on adjusted profit. There is no tax liability in view of losses available for carry forward of Kshs 4.723 Million (2013: 4.839 million).

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

Property, Plant and Equipment

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

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

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

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

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

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



Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of re-valued assets, amounts in the revaluation surplus to that asset are transferred to retained earnings.

The carrying values of property, plant and equipment are reviewed annually and adjusted for impairment where it is considered necessary.

Intangible Assets

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

Inventories

Finished alcohol and yeast are stated at the lower of production cost and net realisable value calculated on "average" basis. Production costs comprise expenditure directly incurred in the manufacturing process and an allocation of normal production overheads attributable to the process. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. Non-current asset classified as held for sale are measured at the lower of the asset's previous carrying amount and the fair value less costs to sell.

Leases

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

Company as a lessor

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

Company as a lessee

Rentals payable under operating leases are charged to income on the straight-line basis over the term of the relevant lease. Any payment required to be made to the lessor by way of penalty, termination of leases before expiry of the lease period, is recognised in the year in which termination takes place.



Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rate of exchange ruling at the balance sheet date. The current ruling exchange rate was Kshs.87.65, year 2013 Kshs.84.15 as at the balance sheet date. Transactions during the year in foreign currencies are translated at the rate ruling at the date of the transactions. Realized and unrealized exchange rate gains or losses arising from such transactions are recorded in the income statement.

Borrowing Costs

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

Research and Development expenditure

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

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

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

Financial Instruments

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

Financial Assets

The company classifies its financial assets into the following categories; Financial assets at fair value through profit or loss account; loans and receivables; held-to-maturity investments; and available for sale assets. Management determines the appropriate classification of its investments at initial recognition.

Financial Assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

Available for sale financial assets

This category represents financial assets that are not;

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

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of “financial assets at fair value through profit or loss” are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired, at which the cumulative gain or loss previously recognized in equity is recognized in the income statement.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within the three months from the date of the advance.



Bank Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received, net of direct costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise.

Trade payables

Trade payables are settled at their nominal value.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such condition exists, the asset's recoverable amount is estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the income statement, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

EMPLOYEE BENEFITS

Defined Contributions Pension Scheme

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

The staff retirement Benefit Fund was established on 1st February 1982 and was first held in Kenya National Assurance Company (in receivership). It was re-established on 1st October 1994 and held in Insurance Company of East Africa Limited and latter transferred to Employee Benefit Trustees Limited, "its subsidiary".

The scheme is funded by contributions from the employees and the Company. The employees contribute 5% of their basic salaries while the sponsor contributes 10.0% which totals to 15.0% of the basic salary. The employee contribution to the fund has been increased to 10% with effect from January 2014. The company's contribution to the scheme is charged to the income statement in the year to which they relate.

In accordance with the requirements of the Retirement Benefit Act 1997, the conversion approval by the Retirement Benefit Authority granted on 19th July 2004 and on 30, June 2011, the Trustee deed, Funds Management agreement, Investment policy agreement has been complied with. The accounts for 2013 have been audited and submitted to the Retirement Benefit Authority. The scheme has a total of 119 members composed of 93 active members and 26 deferred members. During the year, 5 members left the scheme. The scheme funds are managed independently of the Company's assets by ICEA Lion Life Assurance while the scheme administrator is Aon Minet Insurance Company

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

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

Contract Gratuity

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

Bonus Scheme

The company operates a bonus scheme for its employees. The bonus is payable on achievement of annual performance targets and upon approval by the Parent Ministry and The National Treasury.

Provision for staff leave

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

Restructuring and rationalization provisions

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

Dividends

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

Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year

3. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

4. **RISK MANAGEMENT POLICIES**

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

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

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

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

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

a. **Credit risk**

Due to the nature of the Company's operation it is exposed to credit risk. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its financial obligations, that and arises from goods sold to customers and investments in short terms deposits. The company is exposed to this risk in several areas including trade and other receivables, and cash and cash equivalents. However the Company credit risk is concentrated trade receivables in terms of sale of yeast to some customers on credit and who are to pay after a period defined by the management.

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2014 and 30 June 2013 is made up as follows:

	Fully Performing Sh	Past due Sh	Impaired Sh	Total Sh
At 30 June 2014				
Cash and cash equivalents	672,437,014			672,437,014
Trade receivables	160,047,572		65,393,622	225,441,194
		NIL		
	832,484,586		65,393,622	897,878,208
At 30 June 2013				
Cash and cash equivalents	692,330,910	-	-	692,330,910
Trade receivables	115,947,534		76,867,858	192,815,392
	808,278,444		76,867,858	885,146,302

The bank balances are fully performing.

b. Market Risk

i) Currency Risk

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

As at June 30, 2014 an increase/decrease of 5 Percentage points would have resulted in an increase/decrease in pre-tax profits by Kshs 220,724.09. This risk is attributed to the Bank deposits of US\$.35,704.50 held in foreign currency.

ii) Interest rate risk

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

As at 30th June 2014, an increase /decrease of 5 percentage points would have resulted in an increase/decrease in pre-tax profits of kshs. 18,476,741 (2013 Kshs. 6,194,950).

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

c. **Liquidity Risk**

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

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Board of Directors. All capital investments are funded by internally generated funds.

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

Financial Liabilities	Within 1 year	Over 1 Year	Within 1 year	Over 1 Year
	Sh	Sh	Sh	Sh
Borrowings Related Parties	Nil	Nil	Nil	Nil
Borrowings - Bank	Nil	Nil	Nil	Nil
Payables	8,416,757,481		8,257,706,483	
Total	8,416,757,481		8,257,706,483	

Financial Assets				
Cash and Cash Equivalents	672,437,017		692,330,910	Nil
Trade Recievables	160,047,572		115,947,534	Nil
Total	832,484,589		808,278,444	
Net Liquidity Gap	(7,584,272,892)		(7,449,428,039)	

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, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

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

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

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

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

Review of compliance with company standards is reviewed on an ongoing basis by senior management and internal audit department.

5. REVENUE

Spirit Sales	1,565,170,950	1,583,000,330
Yeast Sales	235,926,334	314,710,237
	<u>1,801,097,284</u>	<u>1,897,710,567</u>

6. COST OF SALES

Materials, Energy and Packing	922,421,835	1,049,773,330
Direct Salaries, wages and benefits	203,914,889	196,255,373
Plant Maintenance and other Factory overheads	44,089,134	75,685,938
Stock adjustments		8,642,217
	<u>1,170,425,858</u>	<u>1,330,356,858</u>

7. OTHER INCOME

Profit on sale of fixed assets	595,819	2,411,449
Rent paid by employees	4,960,563	4,975,950
Miscellaneous Income	13,190,550	13,250,167
	<u>18,746,932</u>	<u>20,637,566</u>

8. FINANCE INCOME

Interest on Fixed deposits	43,335,296	43,402,430
	<u>43,335,296</u>	<u>43,402,430</u>

9. ADMINISTRATIVE EXPENSES

Advertising and Public relations	499,310	669,139
Audit Fees	780,000	780,000
Computer Expenses	2,349,468	2,773,425
Donations	727,217	520,595
Subscriptions and Newsletter	743,299	681,652
Guest House Expenses	1,456,747	1,104,724
Legal fees	1,422,867	3,375,289
Management Fees	27,402,293	26,782,191
Office equipment repairs	1,791,543	1,156,537
Motor Vehicle running Expenses	11,663,070	12,541,162
Postage, telegrams and telephone	1,387,165	2,013,902
Printing and stationery	901,199	1,101,157
Travelling and Accommodation	7,444,691	8,522,270
Marketing and Nairobi office expenses	24,907,989	24,538,883
Consultancy on Industry Survey	193,200	0
Consultancy and performance contracting activities	361,017	439,155
Security Hire	6,767,540	7,360,020
Insurance and Licenses	11,231,382	12,336,958
Rent	1,357,250	1,219,172
Repairs and renewals (Housing)	0	705,936
Provision for bad and doubtful debts	(324,243)	
Write Back On Credit Balances on Debtors	(10,284,900)	(216,090)
Recruitment expenses	282,304	281,212
Salaries and Wages	65,483,988	61,211,831
Staff welfare	21,908,107	22,897,615
Directors Honorarium	720,000	720,000
Board and Committee Sitting Allowances and expenses	4,720,213	5,707,399
Depreciation	<u>97,213,071</u>	<u>93,367,088</u>
	<u>283,105,786</u>	<u>292,591,222</u>

10. FINANCE COSTS

Bank Charges	1,851,120	973,273
Exchange Loss / (Gains) Operations	728,572	(62,991)
Finance Income	(740,904)	(698,656)
Interest on loans	309,051,043	324,243,748
	<u>310,889,831</u>	<u>324,455,374</u>



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

COST / VALUATION	Leasehold Land Kshs.	Miscellaneous property	Building, Housing & Factory Kshs.	Plant and Machinery Kshs.	Capital Work in Progress Kshs.	Motor Vehicles Kshs.	Computers and Accessories	Furniture and Equipment Kshs.	Total Kshs.
COMPRISING									
As at 1st July 2013	19,772,100	13,030,478	313,578,247	1,860,540,519	151,212,463	39,129,191	14,171,890	10,728,124	2,422,163,012
Additions				512,716	245,242,910.88	7,336,867	1,756,604	705,627	255,554,725
Transfer from Work In progress			18,132,490	50,703,884	(68,836,374)				0
Disposal						(145,475)			(145,475)
As at 30th June 2014	19,772,100	13,030,478	331,710,737	1,911,757,119	327,619,000	46,320,583	15,928,494	11,433,751	2,677,572,262
DEPRECIATION									
As at 1st July 2013	629,901	1,563,658	22,746,364	211,895,951		16,162,793	7,012,817	3,103,854	263,115,338
Accumulated Depreciation Restated				184,385		(79,372)			105,013
On Disposal						(90,922)			(90,922)
Charge for the Period July 2013- June 2014	209,967	521,218	8,292,768	77,341,768		6,493,630	3,185,699	1,168,021	97,213,071
As at 30th June 2014	839,868	2,084,876	31,039,132	289,422,104	0	22,486,129	10,198,516	4,271,875	360,342,501
NET BOOK VALUE									
As at 30th June 2014	18,932,232	10,945,602	300,671,605	1,622,335,015	327,619,000	23,834,454	5,729,978	7,161,876	2,317,229,761
As at 30th June 2013	19,142,199	11,466,820	290,831,883	1,648,644,568	151,212,463	22,966,398	7,159,073	7,624,270	2,159,047,674



11. (B) SCHEDULE OF PROPERTY, PLANT & MACHINERY AND EQUIPMENT FOR THE YEAR ENDED 30TH JUNE 2013									
COST / VALUATION	Leasehold Land Kshs.	Miscellaneous property	Building, Housing & Factory Kshs.	Plant and Machinery Kshs.	Capital Work in Progress Kshs.	Motor Vehicles Kshs.	Computers and Accessories	Furniture and Equipment Kshs.	Total Kshs.
COMPRISING									
As at 1st July 2012	19,772,100	13,030,478	306,377,914	1,699,833,465	164,659,409	39,576,150	11,942,446	10,597,206	2,265,789,168
Additions			7,200,333	17,250,680	130,009,428	188,015	2,229,444	130,918	157,008,818
Transfer from Work in Progress				143,456,374	(143,456,374)				0
Disposals						(634,974)			(634,974)
As at 30th June 2013	19,772,100	13,030,478	313,578,247	1,860,540,519	151,212,463	39,129,191	14,171,890	10,728,124	2,422,163,012
DEPRECIATION									
As at 1st July 2012	419,934	1,042,438	14,906,907	136,602,843	0	10,646,019	4,178,439	2,031,042	169,827,622
Transfers on Revaluation									
Charge for the Period July 2012- June 2013	209,967	521,220	7,839,457	75,293,108		5,596,146	2,834,378	1,072,812	93,367,088
On Disposal						(79,372)			(79,372)
As at 30th June 2013	629,901	1,563,658	22,746,364	211,895,951	0	16,162,793	7,012,817	3,103,854	263,115,338
NET BOOK VALUE									
As at 30th June 2013	19,142,199	11,466,820	290,831,883	1,648,644,568	151,212,463	22,966,398	7,159,073	7,624,270	2,159,047,674
As at 30th June 2012	19,352,166	11,988,040	291,471,007	1,563,230,622	164,659,409	28,930,131	7,764,007	8,566,164	2,095,961,546

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

	2013-2014	2012-2013
12. INVENTORIES AND WORK IN PROGRESS		
Goods in transit		9,189,563
Raw materials and spares	234,915,352	153,336,130
Work in Progress		3,465,382
Finished Goods	51,192,678	16,161,263
	<u>286,108,030</u>	<u>182,152,338</u>

13. TRADE AND OTHER RECEIVABLES

Trade Debtors	225,441,194	192,815,392
Pre-payments	24,486,206	49,229,694
Creditors with debit Balances	47,728,795	34,761,787
Other debtors	101,033,131	117,999,501
Total	<u>398,689,326</u>	<u>394,806,374</u>
Provision for Bad and Doubtful debts	(65,393,622)	(76,867,858)
	<u>333,295,704</u>	<u>317,938,516</u>

14. CASH AND CASH EQUIVALENTS

Petty cash - Nairobi Office	10,234	26,374
Petty Cash Muhoroni	252,807	164,332
Petty Cash School	96,185	
National Bank Current Account Kisumu	136,402,416	171,388,560
Barclay Current Account - Kisumu	46,039,557	44,609,462
Nbk US Dollar Account- Harambee Avenue	3,064,384	3,224,303
National Bank Current Account Harambee Avenue	99,124	975,580
Kenya Commercial Bank -Muhoroni	4,353,752	11,290,553
National Bank of Kenya Savings Account Kisumu	5,761,415	4,843,027
Kenya Commercial Bank School Account-Muhoroni	4,940,517	4,392,096
National Bank of Kenya Fixed Deposit	421,416,623	451,416,623
Kenya Commercial Bank Fixed deposit	50,000,000	
	<u>672,437,014</u>	<u>692,330,910</u>

15. SHARE CAPITAL

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

16. RESERVES

	<u>CAPITAL RESERVE SHS.</u>	<u>REVENUE RESERVE SHS.</u>	<u>TOTAL RESERVE SHS.</u>
Balance as at 1st July 2013	1,718,390,029	(6,900,726,232)	(5,182,336,203)
Profit for the Year ended 30th June 2014		98,758,036	98,758,036
Administration Expenses		(90,993)	(90,993)
As At 30th June 2014	<u>1,718,390,029</u>	<u>(6,802,059,189)</u>	<u>(5,083,669,160)</u>

17. TRADE AND OTHER PAYABLES

Trade Payables	69,518,986	67,866,785
Debtors with credit Balances	30,339,504	58,814,953
Other Payables	92,482,477	67,111,841
	<u>192,340,967</u>	<u>193,793,579</u>

18. PROVISION

Balance as at beginning of the year	22,305,622	12,696,210
Provisions for the year paid during the year	12,488,180 (11,152,582)	17,397,848 (7,788,436)
	<u>23,641,220</u>	<u>22,305,622</u>



19. LOANS Interest Rate

GOK ON-LENT	7%	2,941,884,000	7%	2,941,884,000
Loans interest deferred		4,824,842,992		4,634,103,817
Interest on GOK paid Loan	17.45	650,030,489	18.5%	681,718,621
		8,416,757,481		8,257,706,438

20. CAPITAL COMMITMENTS

Authorised and Contracted	259,400,000	224,695,000
Authorised but not Contracted	<u>25,910,000</u>	<u>14,669,000</u>
	<u>285,310,000</u>	<u>239,364,000</u>

21. CONTINGENT LIABILITY

- i) There is a pending tax assessment of Kshs. 229, 517,721 from Kenya Revenue Authority which is not yet finalized. The matter is currently in court. The Directors are of the opinion that the tax demand will be vacated and hence no liability arising. However, the outcome of the case remains unknown as at the balance sheet date.
- ii) There is a pending demand of Kshs. 634,644,435 from Kenya Revenue Authority in respect of Withholding Tax assessment on interest paid to Treasury over a period of time against the Loan paid by Treasury on behalf of the Company. The Directors are of the opinion that this demand will be vacated and hence no liability arising.
- iii) There is a pending tax demand from Kenya Revenue Authority of Kshs. 7,310,579 arising from a claim on spirits designated for export market and diverted to the local market. The matter is currently in court. The directors are of the opinion that the tax demand will be vacated and hence no liability arising.

22. RELATED PARTY TRANSACTIONS

Mehta Group owns 44% of shareholding in ACFC and as such a related party. The company provides management services to the company in line with the Management Contract in place between The Government of Kenya and the International Investment Corporation. The transaction with this party during the year relates to payment of management fees of kshs.27, 402,293(2012-2013) Kshs. 26,782,191.

Proxy

I/We

Being a member (s) of AGRO-CHEMICAL AND FOOD COMPANY LIMITED do hereby appoint

or failing him/her _____
to be my/our proxy to attend and vote on my/our behalf at the 35th ANNUAL GENERAL MEETING
to be held at Agricultural Development House, Nairobi on June 29, 2015 or adjournment thereof not
withstanding sufficient notice was not given.

In witness whereof of common seal of the company has been herewith affixed this

_____ day of _____ 2015

In presence of:

Director

Director/ Secretary



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