AGRO CHEMICAL & FOOD COMPANY LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2012

AGRO-CHEMICAL & FOOD COMPANY LTD.

ANNUAL REPORT
& FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2012

CONTENTS

Company Information

DIRECTORS AS AT 30TH JUNE 2012

ORGANISATION	NAME
Agricultural Development Corporation (ADC)	Mr. William K. Kirwa (Chairman)
Agricultural Development Corporation (ADC)	Dr. Andrew K. Tuimur
Industrial and Commercial Development Corporation (ICDC)	Mr. J. C. Mwaura
Industrial and Commercial Development Corporation (ICDC)	Mr. Dismas J.Oyieko,(HSC)
International Investment Corporation (IIC)	Mr. Suresh C. Sharma
International Investment Corporation (IIC)	Mr. Nanalal P. Sheth, Alternate to M. N. Mehta
Ministry of Agriculture	P.S. (Alternate-Mrs Bibiana Walela)
Ministry of Finance	P.S. (Alternate-Mrs. Beatrice Gathirwa)
Resident Director & Chief Executive:	Mr. O.P. Narang - Retired- 31/10/2011 Mr. A. Agrawal - Appointed 01/11/2011

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

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

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

Bankers:
National Bank of Kenya Limited
Barclays Bank of Kenya Limited
Kenya Commercial Bank Limited

Senior Executives:
Mr. E. O. Owiti - Financial Controller
Mr. C.O. Oguya - Marketing Manager
Mr. J. N. Njoroge - Works Manager

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

Auditors:
Auditor General
Kenya National Audit Office
P.O. Box 30084-00100, NAIROBI

Company Secretary:
Mr. S. O. Awino, CPS (Kenya)
P.O. Box 18-40107, MUHORONI

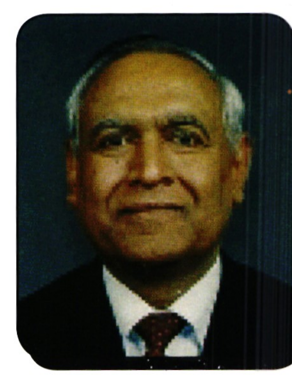
Board of Directors

Mr. William K. Kirwa

Dr. Andrew Tuimur

Mr. Joseph C. Mwaura

Mr. Dismas J. O. Oyieko (HSC)



Mr. Suresh C. Sharma

Mr. Nanalal P. Sheth,

Mrs. Bibiana Walela

Mrs. Beatrice Gathirwa

Senior Executives

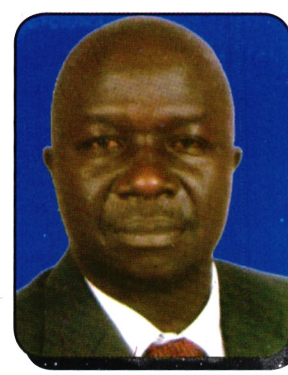
Mr. Ashok Agrawal

Mr. O. P. Narang

Mr. E. O. Owiti

Mr. C. O. Oguya

Mr. J. N. Njoroge



Mr. S. O. Awino

Notice of Annual General Meeting

Notice is hereby given that the, 33rd Annual General Meeting of the members will be held on Monday, May 13, 2013 in Agricultural Development Corporation Boardroom, Nairobi from 9.00 a.m. to 12.00 noon

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 32nd Annual General Meeting held on June 8, 2012.
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 2012, 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 of the Companies Act (Cap. 486) Laws of Kenya and to empower Directors to fix their remunerations.
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.

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.

Chairman's Report

It is my pleasure to present the Annual Report and Audited Accounts of ACFC for the year ended 30th June 2012.

SUMMARISED OPERATING RESULTS

The Company's operations mainly depend on the quantity of molasses supplied by sugar companies. The Company received 69,900 (2010/2011: 74,171) tons of molasses against a budgeted quantity of 70,000 tons. I wish to thank management for the efforts and strategies put in place to ensure that the Company got adequate supply of molasses and the sugar factories for ensuring availability of the product.

The Company produced 13.945 million (2010/2011: 12.838 million) litres of alcohol against budgeted quantity of 13.50 million litres. Active Dry Yeast (ADY) production was 696 tons (2010/2011: 952 tons) against a target of 1,000 tons. The production of ADY was below the target by 304 tons mainly due to effects of Alcoholic Drinks & Control Act. Wet Yeast production was 1,067 tons (2010/2011: 1,084 tons) against a target of 1,200 tons representing a decrease of 133 tons below the target.

The Company realized a turnover of 1,599.041 million against the budget of 1,498.800 million recording the highest turnover since inception of the Company. I wish to register my appreciation to the management for achieving this milestone

The highlights of the overall operating results for the year under review compared to budget are as tabulated on page 7.

FINANCIAL HIGHLIGHTS

Production	2011/2012			2010/2011			2009/2010	
	Budget	Actual	% Actual Budget	Budget '000'	Actual '000'	% Actual Budget	Budget	Actual
Alcohol (Lts. 000)	13,500	13.945	103%	13,700	12,838	94%	13,500	10,124
Yeast (Tons)	1,000	696	70%	1,300	952	73%	1,300	1,107
Wet Yeast (Tons)	1,200	1,067	89%	850	1,084	128%	850	866
SALES:								
Alcohol (Lts 000)	13,500	13,811	102%	13,700	13,572	99%	13,500	10,392
Yeast (Tons)	1,000	725	73%	1,300	925	71%	1,300	1,120
Wet Yeast (Tons)	1,200	1,067	89%	850	1,083	127%	850	870
FINANCIAL INDICATORS (Kshs.Million)								
Sales Turnover	1,495.800	1,599.041	107%	1,405.45	1,410.758	100%	1,200.35	1,060.155
Other Income	30.600	68.020	222%	35.600	30.369	83%	39.150	47.916
Gross Revenue	**1,529.400**	**1,667.061**	**109%**	**1,441.05**	**1,441.127**	**99%**	**1,239.50**	**1,108.071**
Operating profit before interest	224.267	191.508	85%	176.656	289.004	164%	202.175	(17.870)

Total sales turnover for the year under review was Kshs. 1,599.041 million compared to Kshs. 1,410.758 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. 1,667.061 million compared to Kshs. 1,441.127 million last year. Operating profit before loan interest and exchange losses was Kshs. 191.508 million compared to Kshs.289.004 million in 2010/2011.The decrease in operating profits was mainly attributed to increased usage of fuel oil arising from rehabilitation of the Company's Effluent Treatment Plant. After charging loan interest of Kshs.343.457 million (2010/2011: 313.031 million) and an exchange gain of Kshs.478.420 million (2010/2011: loss of 646 million), the Company registered an overall net profit of Kshs. 326.471 million compared to net loss of Kshs.669.997 million in the previous year.

In the meantime, the Board and Management have continued to engage Treasury for conversion of the loan into local currency pending completion of the privatization process in order to improve on its financial position.

ACKNOWLEDGEMENT

ACFC has stayed afloat even in difficult times because of the commitment and dedication of our employees who have continued to perform their duties with skill, loyalty and team spirit. We have also continued our active participation in various projects as per our Corporate Social Responsibility (CSR) policy. During the year as an attempt to improve on "girl child" education, the Company constructed twenty cubical bathrooms for Koru Girls' secondary school.

The Company also completed and inaugurated the rehabilitation of the effluent treatment plant which will ensure a healthy environment and also improve gas generation to be used in running the boilers. This will lead to huge savings for the Company as it will go along way in addressing the high fuel oil consumption at the boiler. May I acknowledge the vital role played by the Ministry of Agriculture, Ministry of Finance, Office of the Prime Minister, Kenya Sugar Board and Sugar companies in 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 long term strategic plan on product diversification the Company intends to undertake the construction of a carbon dioxide plant which will go a long way in improving the Company profitability. Our continued appeal to the sugar companies for affordable molasses price remains on course. I am looking forward to seeing days when our Company will attain an exemplary performance and 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

Finally, my sincere appreciation goes to all my colleagues on the Board for their tireless devotion and valued guidance. I look forward to similar enthusiastic 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

W. K. Kirwa
CHAIRMAN

Directors' Report

The Directors present their report and the financial statements for the year ended 30th June 2012.

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 13.945 million litres of alcohol, 696 tons of Active Dry Yeast, 1,067 tons of Wet Yeast and realized a turnover of Kshs. 1,599.041 million (2010/2011: 1,410.758 million). The operating profit before interest on loans and exchange losses was Kshs 191,508,069 (2010/2011: Kshs. 289,004,189). However after charging interest on loan of Kshs. 343,457,201 (2010/2011: Kshs. 313,037,134) and exchange gain of Kshs. 478,420,275 (2010/2011:Loss of 645,964,310), the profit for the year carried forward is Kshs. 326,471,143 (2010/2011: Kshs. Loss of 669,997,255). The exchange gain amounting to Kshs. 478,420,275 arises from the translation of the foreign currency loans at the exchange rate ruling at the balance sheet date.

Dividends:

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

Auditors:

The Auditor' General will continue in office in accordance with section 12 of the Public Audit Act, 2003.

Corporate Governance Statement

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

Role and Responsibilities of Board of Directors

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

a. reviewing and approving strategic plans, internal control and compliance, codes of conduct, financial reporting and legal compliance

b. reviewing and approving major capital expenditure

c. approving the Company's financial and accounting policies and financial statements

Board Composition:

The Board of ACFC is composed of nine directors representing the three shareholders viz, ADC, two directors, ICDC, two directors, IIC, three directors, representative of P.S, Ministry of Agriculture and P.S., Ministry of Finance. The RD& CE plus representative of Inspector-General (Corporations), Office of the Prime Minister, 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 statements and to discuss other matters of strategic importance to the Company. Senior management of the Company attend 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, viz:

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 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.

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 mistatement, 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 28th, 2012* and signed on its behalf by:

W.K. Kirwa	*Dismas J. Oyieko*
CHAIRMAN	DIRECTOR

REPUBLIC OF KENYA

HARAMBEE

KENYA NATIONAL AUDIT OFFICE

Report of the Auditor-General on Agro-Chemical And Food Company Limited for the year ended 30th June 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Agro-Chemical and Food Company Limited set out on pages 16 to 36, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 sections 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 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. **GOING CONCERN**

   During the year under review, the current liabilities balances of Kshs. 8,280,511,581 exceeded the current assets figure of Kshs. 1,047,866,724 resulting in a negative working capital of Kshs. 7,232,644,857. In addition, the Company's records show an accumulated deficit of Kshs. 6,915,073,340 which has contributed to a negative total equity of Kshs. 5,136,683,311 as at 30th June 2012. The company is therefore technically insolvent and may not be able to meet its financial obligations as and when they fall due. Accordingly, these financial statements have therefore been prepared on a going concern basis and on the assumption that the company will continue to receive financial support from the government and creditors.

2. **CONTINGENT LIABILITY**

   According to Note 24 (ii) to the financial statements, and as reported in the previous years, there is a pending tax demand ok Kshs. 229,517,721 by the Kenya Revenue Authority. Although the directors are of the opinion that it will be vacated and will not crystallize into a liability, this position may not be clear until the matter is concluded by the court of law. In addition, according to Note 24 (iii) to the financial statements, there is a pending demand of Kshs. 634,644,435 from Kenya Revenue Authority in respect of withholding tax assessment on interest paid to the Treasury over a period of time. Whereas 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. Further according to Note 24(i) to the financial statements, there is a contingent liability of Kshs. 74,677,162 in respect of bank letters of credit. Although the Directors are of the opinion that no liability will arise the matter is not clear until the goods are supplied.

3. **TRADE AND OTHER RECEIVABLES**

   As reported in the previous year, the trade and other receivables balance of Kshs. 245,061,427 includes a debtor's figure of Kshs. 114,095,784 owed by Kenya Revenue Authority, out of which a sum of Kshs. 78,263,884 is under dispute.

   In the circumstances, it has not been possible to confirm that the trade and other receivables balance of Kshs. 245,061,427 as at 30 June 2012 was fairly stated.

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, 2012, 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 on other Legal and Regulatory 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
AUDITOR-GENERAL
Nairobi
13 March 2013

Statement of comprehensive income for year ended 30th June 2012

	Notes	2012 Kshs	2011 Kshs
Revenue	5	1,599,041,200	1,410,758,450
Cost of Sales	**6**	**1,197,089,816**	**857,386,322**
Gross Profit		401,951,384	553,372,128
Other Income	7	68,020,519	30,369,553
		469,971,902	**583,741,681**
COSTS			
Administrative costs	8	99,644,893	86,051,111
Other Expenses	9	84,445,974	116,139,197
Audit Fees		750,000	750,000
Legal and Professional Fees	10	1,789,583	4,132,895
Depreciation		86,186,322	83,641,300
Directors Expenses	11	4,700,871	4,429,536
Finance Costs	12	344,403,391	312,630,587
Exchange (Gains) / Losses	13	(478,420,275)	645,964,310
Total Costs		**143,500,759**	**1,253,738,936**
Net Profit / (Loss) Before Taxation		**326,471,143**	**(669,997,255)**

Statement of the financial position as at 30th June 2012

	Notes	2011-2012 12 months (Kshs)	2010-2011 12 months (Kshs)
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	14	2,095,961,546	2,006,845,665
CURRENT ASSETS			
Inventories and Work In Progress	15	269,570,831	189,061,236
Trade & Other Receivables	16	245,061,427	266,038,368
Cash and cash equivalents	17	533,234,467	720,100,219
		1,047,866,724	**1,175,199,823**
TOTAL ASSETS		**3,143,828,270**	**3,182,045,488**
EQUITY			
Share Capital	18	60,000,000	60,000,000
Capital Reserves	19	1,718,390,029	1,718,390,029
Accumulated deficit	19	(6,915,073,340)	(7,241,544,483)
TOTAL EQUITY		**(5,136,683,311)**	**(5,463,154,454)**
LIABILITES			
CURRENT LIABILITIES			
Trade and Other Payables	20	184,352,681	259,321,567
Provisions	21	12,696,210	17,452,612
Loans	22	8,083,462,690	8,368,425,763
TOTAL LIABILITIES		**8,280,511,581**	**8,645,199,942**
TOTAL EQUITY AND LIABILITIES		**3,143,828,270**	**3,182,045,488**

Accounts on pages 16 to 36 were approved by the Board of Directors on *September 28th, 2012* and signed on its behalf by:

} Directors

Statement of changes in equity for the period ended 30th June 2012

	Notes	Share Capital Kshs.	Capital Reserve Kshs.	Revenue Reserves Kshs.	Totals Kshs.
As at 1st July 2010		**60,000,000**	**1,663,133,575**	**(6,571,556,776)**	**(4,848,423,201)**
Prior Year Adjustment				9,548	9,548
Revaluation Reserve			55,256,454		55,256,454
Loss for the year		-	-	(669,997,255)	(669,997,255)
As at 30th June 2011		**60,000,000**	**1,718,390,029**	**(7,241,544,483)**	**(5,463,154,454)**
As at 1st July 2011		**60,000,000**	**1,718,390,029**	**(7,241,544,483)**	**(5,463,154,454)**
Profit for the year		-	-	326,471,143	326,471,143
As at 30th June 2012		**60,000,000**	**1,718,390,029**	**(6,915,073,340)**	**(5,136,683,311)**

Statement of cash flows for year ended 30th June 2012

	2011-2012 12 months (Kshs)	2010-2011 12 months (Kshs)
Net Cash flow from operating activities		
Net Profit / (loss) before taxation	**326,471,143**	**(669,997,255)**
Adjustment for items not involving movement of funds:		
Interest on Loans	343,457,202	313,037,135
Depreciation	86,186,322	83,641,300
Profit on Disposal of property Plant and Equipment	(93,000)	(256,116)
Exchange (gain)/loss on foreign loans	(478,420,275)	645,964,310
Net Operating Profit/(Loss) before changes in working capital:	**277,601,392**	**372,389,374**
Changes in:		
Inventories	(80,509,595)	(41,290,098)
Recievables	20,976,941	59,202,303
Payables	(74,968,886)	97,430,958
Provisions	(4,756,402)	(62,090,597)
(a) Net Cash Flow from operating activities	**138,343,451**	**425,641,940**
Cash flow from investing activities:		
Purchase of assets	(175,459,203)	(71,619,515)
Disposal of Asset - Sales Proceeds	250,000	1,500,000
(b) Net Cash flow from investing activities	**(36,865,752)**	**355,522,425**
(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)	(186,865,752)	205,522,425
Cash and cash equivalent at the beginning of the year	720,100,219	514,577,794
Cash and cash equivalent at the end of the Period	533,234,467	720,100,219

Notes to the financial statements for the year ended 30th June 2012

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

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 (IFRS)

   In the current year, the following standards and interpretations became effective for the first time and have been adopted by the Company where relevant to the operations.

- FRS1- First-time adoption of International Financial reporting Standards-Amendments resulting from May 2010 Annual Improvements of IFRSs (Effective for annual periods beginning on or after 1 January 2011)
- IFRS 1- First-time Adoption of International Financial Reporting Standards - Replacement of "fixed dates" of certain exceptions with " the date of transition to IFRSs' (Effective for accounting periods beginning on or after 1 July 2011)
- IFRS 1- First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation (Effective for accounting periods beginning on or after 1 July 2011)
- IFRS 7- Financial Instruments Disclosures- Amendments resulting from May 2010 Annual Improvements of IFRSs (Effective for annual periods beginning on or after 1 January 2011)
- IFRS 7- Financial Instruments Disclosures –Amendments enhancing disclosures about transfers of financial assets (Effective for annual periods beginning on or after 1 July 2011)
- IAS 1- Presentation of financial statements – Amendments to revise the way other comprehensive income is presented.
- IAS1- Presentation of Financial statements- Amendments to revise the way other comprehensive income is presented. (Effective for annual periods beginning on or after 1 July 2012)
- IAS19- Employee Benefits- Amended standard resulting from post-employment benefits and terminal benefits project. - (Effective for annual periods beginning on or after 1 July 2013)
- IFRIC 13- Customer Loyalty programmes- Amendments resulting from May 2010 Annual

improvements to IFRs- (Effective for annual periods beginning on or after 1 January 2011)

- IFRIC 14 AS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction – November 2010 Amendments with respect to voluntary prepaid contributions- (Effective for annual periods beginning on or after 1 July 2011)

Standards and Interpretation in use and not yet adopted

At the date of these financial statements, the following interpretations were in issue but not yet effective:

- IFRS1- First-time Adoption of International Financial Reporting Standards-Amendments for government loan with a below-market rate of interest when transitioning to IFRSs (Effective for annual periods beginning on or after 1 January 2013)
- IFRS1- First-time Adoption of International Financial Reporting Standards-Amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)- (Effective for annual periods beginning on or after 1 January 2013)
- IFRS7- Financial Instruments: Disclosures -Amendments related to the offsetting of assets and liabilities (Effective for annual periods beginning on or after 1 January 2013 and interim periods within those periods)
- IFRS7- Financial Instruments: Disclosures -Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (Effective for annual periods beginning on or after 1 January 2015)
- IFRS9- Financial Instruments -Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements (Effective for Annual periods beginning on or after 1 January 2013 and Effective date subsequently deferred.
- IFRS9- Financial Instruments- Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures – (Effective for annual periods beginning on or after 1 January 2015)
- IFRS 10- Consolidated Financial Statements- Original issue- (Effective for annual periods beginning on or after 1 January 2013)
- IFRS 10- Consolidated Financial Statements- Amendments to transitional guidance- (Effective for annual periods beginning on or after 1 January 2013)
- IFRS 11- Joint Arrangements- Original issue- (Effective for annual periods beginning on or after 1 January 2013)
- IFRS 11- Joint Arrangements- Amendments to transitional guidance –(Effective for annual periods beginning on or after 1 January 2013
- IFRS 12- Disclosure of Interests in Other Entities- Original issue- (Effective for annual periods beginning on or after 1 January 2013)
- IFRS 12- Disclosure of Interests in Other Entities- Amendments to transitional guidance –(Effective for annual periods beginning on or after 1 January 2013)
- IFRS 13- Fair Value Measurement- Original issue- (Effective for annual periods beginning on or after 1 January 2013)

The directors anticipate that the adoption of these standards and interpretations will not result in significant changes in the companies accounting policies.

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 4.786 Million (2011: 4.634 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. During the year, the company carried out revaluation of its assets by independent professional valuers. The revaluation figures have been incorporated in the financial statements.

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

Land	1.05%
Miscellaneous Property	5.00%
Buildings	2.50%
Plant & Machinery	4.00%

Instrumentation & cooling units	4.00%
Motor Vehicles	12.50% for revalued items and 25.00% for additions thereafter.
Computers	33.00% for revalued assets and 25.00% for additions thereafter.
Furniture and fixtures	15.00% for re-valued assets and 10.00% 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 revalued 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 asst'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. 84.15: 2011 Kshs. 89.8639 per US$ ruling 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 assets of the scheme are administered independently of the company's assets.

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 5.0% of their basic salaries while the sponsor contributes 10.0% which totals to 15.0% of the basic salary. The company's contribution to the scheme is charged to the income statement in the year to which they relate.

In accordance with the requirements of the Retirement Benefit Act 1997, the conversion approval by the Retirement Benefit Authority granted on 19th July 2004 and on 30, June 2011, the Trustee deed, Funds Management agreement, Investment policy agreement has been complied with. The accounts for 2011 have been audited and submitted to the Retirement Benefit Authority. The scheme has a total of 115 members composed of 92 active members and 23 deferred members. During the year, 6 members left the scheme. The scheme funds are managed independently of the Company's assets by Insurance Company of East Africa Limited 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 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 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.

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. The Company loans and some fixed deposits held in commercial banks are denominated in US Dollar. This results in exposure to exchange rate currency fluctuations. The balances impacted in this regard are the balance on outstanding loan, bank balances and accruals denominated in foreign currency.

As at 30th June 2012, an increase /decrease of 5 percentage points would have resulted in an increase/decrease in pre-tax profits by kshs. 352,290,609 (2011 Kshs. 384,664,264), The risk is primarily attributed to the US$ 34.960 million GOK loan.

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 2012, an increase /decrease of 5 percentage points would have resulted in an increase/decrease in pre-tax profits of kshs. 7,295,518 (2011 Kshs. 4,833,213).

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.

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 on going basis by senior management and internal audit department.

Notes to the financial statements for the year ended 30th June 2012

	2011-2012 KSHS	2010-2011 KSHS
5. REVENUE		
Spirit sales	1,307,525,570	1,068,844,690
Yeast sales	291,515,630	341,913,760
	1,599,041,200	**1,410,758,450**
6. COST OF SALES		
Materials, Energy and Packing	960,378,980	660,266,833
Direct Salaries, wages and benefits	164,898,380	151,442,748
Plant Maintenance and other Factory overheads	75,651,570	59,369,518
Stock adjustments	(3,839,114	(13,689,777)
	1,197,089,816	**857,386,322**
7. OTHER INCOME		
Profit on sale of fixed assets	93,000	256,116
Interest on Fixed deposits	52,928,382	12,342,465
Rent paid by employees	4,897,817	4,959,529
Miscellaneous Income	10,101,320	12,811,443
	68,020,519	**30,369,553**
8. ADMINSTRATIVE EXPENSES		
Advertising and Public relations	827,420	617,032
Computer Expenses	2,168,040	1,724,446
Donations	324,065	173,300
Subscriptions and Newsletter	794,333	728,257
Entertainment Expenses	33,900	-
Guest House Expenses	1,141,045	987,727
Management Fees	28,308,594	25,755,468
Office equipment repairs	1,864,485	1,204,241
Motor Vehicle running Expenses	15,117,993	12,197,645
Postage, telegrams and telephone	1,669,586	2,108,072
Printing and stationery	1,608,343	1,953,978
Travelling and Accommodation	9,557,088	9,237,350
Marketing and Nairobi office expenses	27,269,568	22,161,250
Consultancy on Industry Survey	2,043,620	-
Consultancy and performance contracting activities	219,553	529,385
Security Hire	6,697,260	6,672,960
	99,644,893	**86,051,111**

	2011-2012 KSHS	2010-2011 KSHS
9. OTHER EXPENSES		
Insurance and Licenses	12,041,355	14,868,052
Rent	1,089,188	1,013,440
Repairs and renewals (Housing)	326,407	1,359,974
Provision for bad and doubtful debts	-	33,474,607
Recruitment expenses	318,290	519,089
Salaries and Wages	54,717,170	48,100,880
Staff welfare	15,953,564	16,803,155
	84,445,974	**116,139,197**
10. LEGAL & PROFFESSIONAL FEES		
Legal Fees	1,789,583	1,533,235
Actuarial Fees	-	584,210
Valuation Fees	-	2,015,450
	1,789,583	**4,132,895**
11. DIRECTORS EXPENSES		
Directors Honorarium	720,000	720,000
Board & Committee sitting allowances	2,676,470	2,911,309
Other Expenses	1,304,401	798,227
	4,700,871	**4,429,536**
12. FINANCE COSTS		
Bank Charges	1,381,257	1,332,431
Exchange Loss / (Gains) Operations	211,756	(1,398,317)
Other Interest	(646,823)	(340,661)
Interest on loans	343,457,201	313,037,134
	344,403,391	**312,630,587**
13. EXCHANGE GAIN/LOSSES		
USD: 83,729,200 @ Kshs.5.7139	**(478,420,275)**	**645,964,310**

There was a gain in foreign exchange during the year 2011/2012 of Kshs,5.7139 (84.15 – 89.8639), compared to a loss of Kshs.7.715 (89.8639 – 82.1489) during the year 2010/2011

Notes to the financial statements for the year ended 30th June 2012

14 (a). SCHEDULE OF PROPERTY, PLANT & MACHINERY AND EQUIPMENT

COST / VALUATION COMPRISING	Land Kshs.	Miscell-aneous property Kshs.	Building Housing & Factory Kshs.	Plant & Machinery Kshs.	Work in Progress Kshs.	Motor Vehicles Kshs.	Computers and Accessories Kshs.	Furniture and Fixtures Kshs.	TOTAL Kshs.
As at 1st July 2011	19,772,100	13,030,478	289,898,379	1,683,784,917	31,216,019	34,093,020	8,949,750	9,732,302	2,090,486,965
Additions	- -	- -	16,479,535	16,038,548	133,443,390	5,640,130	2,992,696	864,904	175,459,203
Disposals	- -	- -	- -	- -	- -	(157,000)	- -	- -	(157,000)
As at 30th June 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
DEPRICIATION									
As at 1st July 2011	209,967	521,219	7,247,460	67,929,927	- -	4,970,501	1,789,950	972,276	83,641,300
Charge for the period July 2011 to June 2012	209,967	521,219	7,659,447	68,672,916	- -	5,675,518	2,388,489	1,058,766	86,186,322
As at 30th June 2012	419,934	1,042,438	14,906,907	136,602,843	- -	10,646,019	4,178,439	2,031,042	169,827,622
NET BOOK VALUE									
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
As at 30th June 2011	19,562,133	12,509,259	282,650,919	1,615,864,990	31,216,019	29,122,519	7,159,800	8,760,026	2,006,845,665

Notes to the financial statements for the year ended 30th June 2012

14 (b). SCHEDULE OF PROPERTY, PLANT & MACHINERY AND EQUIPMENT

COST / VALUATION COMPRISING	Land Kshs.	Miscell-aneous property Kshs.	Building Housing & Factory Kshs.	Plant & Machinery Kshs.	Work in Progress Kshs.	Motor Vehicles Kshs.	Computers and Accessories Kshs.	Furniture and Fixtures Kshs.	TOTAL Kshs.
As at 1st July 2010	5,000,000	15,500,000	287,732,440	1,919,504,167	14,689,659	53,722,885	21,472,862	14,860,813	2,332,482,826
Additions	- -	- -	4,473,372	24,280,445	33,206,763	4,010,001	2,414,471	3,234,463	71,619,515
Transfer from work in progress	- -	- -	3,669,645	13,010,758	(16,680,403)	- -	- -	- -	0
Transfers on Revaluation	14,772,100	(2,469,522)	(5,977,078)	(272,161,897)	- -	(22,118,480)	(14,937,583)	(8,362,974)	(311,255,434)
Disposals	- -	- -	- -	(838,556)	- -	(1,521,386)	- -	- -	(2,359,942)
As at 30th June 2011	19,772,100	13,030,478	289,898,379	1,683,794,917	31,216,019	34,093,020	8,949,750	9,732,302	2,090,486,965
DEPRICIATION									
As at 1st July 2010	262,500	3,873,130	34,107,457	270,154,107	- -	32,112,370	19,131,336	7,996,886	367,637,786
Transfers on Revaluation	(262,500)	(3,873,130)	(34,107,457)	(269,986,396)	- -	(31,164,024)	(19,131,336)	(7,996,886)	(366,521,729)
On Disposal				(167,711)		(948,346)	- -	- -	(1,116,057)
Charge for the period July 2010 to June 2011	209,967	521,219	7,247,460	67,929,927	- -	4,970,501	1,789,950	972,276	83,641,300
As at 30th June 2011	209,967	521,219	7,247,460	67,929,927	- -	4,970,501	1,789,950	972,276	83,641,300
NET BOOK VALUE									
As at 30th June 2011	19,562,133	12,509,259	282,650,919	1,615,864,990	31,216,019	29,122,519	7,159,800	8,760,026	2,006,845,665
As at 30th June 2010	4,737,500	11,626,870	253,624,983	1,649,350,060	14,689,659	21,610,515	2,341,526	6,863,927	1,964,845,040

	2011-2012 KSHS	2010-2011 KSHS
15. INVENTORIES AND WORK IN PROGRESS		
Goods in transit	4,396,915	1,811,284
Raw materials and spares	236,905,054	162,820,202
Work in Progress	3,522,910	2,179,240
Finished Goods	24,745,952	22,250,510
	269,570,831	**189,061,236**
16. TRADE AND OTHER RECEIVABLES		
Trade Debtors	138,917,784	212,860,510
Pre-payments	38,259,944	31,044,525
Creditors with debit Balances	15,823,997	6,046,261
Other debtors	129,312,330	93,339,700
Total	322,314,055	343,290,996
Provision for Bad and Doubtful debts	(77,252,628)	(77,252,628)
	245,061,427	**266,038,368**
17. CASH AND CASH EQUIVALENTS		
Petty Cash (Nairobi)	86,933	8,481
Petty Cash (Muhoroni)	338,364	349,471
Petty Cash (School)	-	70,300
NBK Kisumu Current A/C	38,949,114	127,435,569
BBK Kisumu Current A/C	21,063,550	103,448,552
NBK Nairobi Retention A/C	3,161,312	3,581,890
NBK Harambee Avenue Current A/C	1,154,127	1,467,369
KCB Muhoroni A/C	4,031,316	24,722,252
NBK Kisumu Savings A/C	3,901,237	3,868,287
KCB Muhoroni Current A/C School	2,368,906	1,675,260
Fixed Deposits	451,416,623	451,416,623
Interest Receivable	6,762,985	2,056,165
	533,234,467	**720,100,219**
18. 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

19. RESERVES

	Capital Reserve Shs.	Revenue Reserve Shs.	Total Reserve Shs.
Balance as at 1st July, 2011	1,718,390,029	(7,241,544,483)	(5,523,154,454)
Profit for the period ended 30th June, 2012		326,471,143	326,471,143
As at 30th June, 2012	**1,718,390,029**	**(6,915,073,340)**	**(5,196,683,311)**

	2011-2012 KSHS	2010-2011 KSHS
20. TRADE AND OTHER PAYABLES		
Trade Payables	70,318,624	76,534,726
Debtors with credit Balances	62,208,912	100,702,843
Other Payables	51,825,145	82,083,998
	184,352,681	**259,321,567**
21. PROVISION		
Provision at the beginning of the year	17,452,612	79,543,199
Provision for the year	9,040,592	13,350,810
Paid during the year	(13,796,994)	(75,441,407)
	12,696,210	**17,452,612**

22. LOANS

	Interest Rate	2011-2012 12 Mths Kshs.	Interest Rate	2010-2011 12 Mths Kshs.
GOK ON-LENT	7%	2,941,884,000	7%	3,141,641,944
Loans interest deferred		4,447,385,391		4,475,712,718
Interest on GOK paid Loan	18.50%	694,193,299	13.92%	751,071,101
		8,083,462,690		**8,368,425,763**

Foreign loans were restructured as at 31st December 1993 i.e. converted to GOK on-lent loan of US$.34, 960,000 payable in fourteen semi-annual instalments up to 2002. Interest accrued on on-lent loan is Kshs. 4,447,385,391 and the interest accrued on loan paid on our behalf by GOK is Kshs. 694,193,299.

	2011-2012 KSHS	2010-2011 KSHS
23. CAPITAL COMMITMENTS		
Authorised and Contracted	269,375,000	216,331,860
Authorised but not Contracted	11,248,000	68,168,140
TOTAL	**280,623,000**	**284,500,000**

24. CONTINGENT LIABILITY

i) At the end of the financial period the company had a contingent liability of Kshs. 74,677,161.65 (2010/2011: Kshs. 11,537,887.65) in respect of bank letters of credit and outstanding as at 30th June 2012. The potential liability that may arise from the letters of credit in the event that the goods are not supplied and the company has no funds to pay the suppliers. The Directors are of the opinion that no such liability will arise.

ii) 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.

iii) 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.

iv) iv) There is a pending tax demand from Kenya Revenue Authority of Kshs. 7,310,579 arising from a claim on spirits designated for export market and diverted to the local market. The matter is currently in court. The directors are of the opinion that the tax demand will be vacated and hence no liability arising.

25. RELATED PARTY TRANSACTIONS

Mehta Group owns 44% of shareholding of ACFC, and as such a related party. The transaction with this party during the year related to payment of management fees of Kshs. 28,308,594 (2010/2011: Kshs. 25,755,468).

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 33rd ANNUAL GENERAL MEETING to be held at Agricultural Development House, Nairobi on 13th May 2013 or any 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 ________________________ 2013.

In presence of:

____

Director

____

Director/Secretary

AGRO-CHEMICAL & FOOD COMPANY LIMITED

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| **Email** admin@acfc.co.ke

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| **Phone** 020 338849 / 2230083 | **Fax** 020 317298
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