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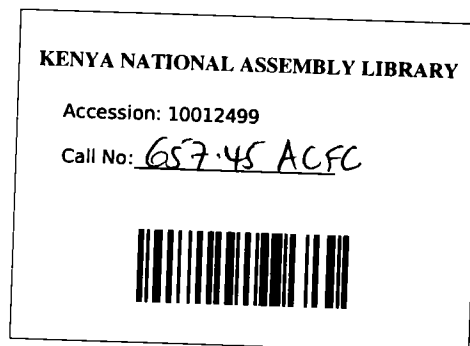
**agro-chemical and food company limited**  
**ANNUAL REPORT & ACCOUNTS**  
**1991/92**

P.O.Box 18 MUHORONI  
51622, 51075/7/8/9 MUHORONI Telex; 37077 ACFC. Fax: 51260  
Office Jeevanbharti 7th Floor Harambee Avenue  
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**AGRO-CHEMICAL AND FOOD COMPANY LIMITED**

**REPORT AND ACCOUNTS FOR THE YEAR ENDED 30THE JUNE 1992**

<b><u>CONTENTS</u></b>	<b><u>PAGES</u></b>
Chairman's Report for the Year	2 - 3
Directors' Report	4
Report of the Auditor General (Corporations)	5
Profit and Loss Account	6
Balance Sheet	7
Statement of Source and Application Funds	8
Notes to the Accounts	9 - 14
Charts	15 - 16





**AGRO—CHEMICAL AND FOOD COMPANY LIMITED**

**CHAIRMAN'S REPORT FOR THE YEAR ENDED**

**30TH JUNE 1992**



It is my pleasure once again to present the annual report for the year ended 30th June 1992.

**Operating Results:**

Inspite of the difficult economic conditions facing most national economies, the Company had a successful year during which time some past production and sales records were broken. The year's operating results are summarized as under:—

	1991/92			1990/91
1. <u>Production</u>	Budget @ 90% Capacity	<u>Actual</u>	<u>% of Budget</u>	<u>Actual</u>
Alcohol (Million Lts)	16.200	16.272	100.4%	15.049
Yeast (Tonnes)	900	856	95%	865
2. <u>Sales</u>				
Alcohol (Million Lts)	16.200	14.03	87%	16.565
Yeast (Tonnes)	900	895	99%	827
3. <u>Gross Revenue:</u>	Kshs. 238.6 Million			189.6 Million

Out of the 14.03 million litres of alcohol sold, 8.28 million litres representing 57% of total alcohol sales were exported to Belgium during the year while another 2.1 million litres which was in stock as at 30th June 1992 was shipped in August thereby earning our country over Kshs. 100 million in foreign exchange. In view of the poor upliftment of alcohol by the local oil industry, the Company signed a long term agreement with a Belgium Company for the export of crude alcohol which will no doubt continue to earn a considerable amount of the much needed foreign exchange for the country especially during this time of balance of payments difficulties. In the meantime it is hoped that oil companies will reconsider their negative attitude towards blending of power alcohol with gasoline and consequently start lifting the same in order to also save on the huge foreign exchange being spent for the importation of crude oil into the country.

Inspite of the commendable physical performance indicated by the figures given above, the Company however, continued to suffer heavy losses mainly due to the ever rising input costs, exchange losses and interest cost on its foreign loans resulting from the continued depreciation of the Kenya Shilling vis-a-viz the Austrian Schilling in which the loans are designated. As reported in

last year's report, proposals for conversion/restructuring of the Company's foreign loans were submitted to the Government for consideration.

In order to minimize operating losses and therefore keep the company afloat the Management continues to lay emphasis on strict cost control, selective capital spending, research and other measures designed to increase capacity utilization, reduction of operating costs and improving of overall efficiency. I should however mention that inspite of above measures the Company is actively involved in providing both the staff and the surrounding community with necessary socio-economic amenities which include the promotion of the local "jua kali" enterprises, provision of housing facilities to its workers, water, educational facilities, etc. Besides, the Company is in the process of installing an effluent treatment plant designed to meet pollution control measures set by the government and which will cost over Kshs. 60 million on completion.

### **Future Prospects:**

The Company's prospects for the future are good provided it is assured of continued supply of its basic material (i.e. molasses) by the sugar companies and the uplifting of its alcohol by the oil companies. The proposed restructuring of the foreign loans will definitely reduce the heavy servicing burden presently borne by the Company. I am confident that given the required support by all concerned parties and inspite of adverse economic factors and market forces, the Company is capable of achieving maximum capacity utilization of the plant and thus helping in building the national economy.

### **Acknowledgements**

On behalf of the Board and all the shareholders, I wish to extend our deepest gratitude to H.E. The President and his Government for the continued support given to this Company.

The Company's continued survival and success reflect the efforts and dedication of the Board of Directors, Management and all employees. I congratulate and sincerely thank them all on their part in the achievements of 1991/92 and look forward for the same continued support in future also.

**DR. W. K. KILELE**

**CHAIRMAN**

Feb. 1993.

# AGRO CHEMICAL AND FOOD COMPANY LIMITED

## DIRECTORS' REPORT

The Directors present their report and the accounts for the year ended 30th June, 1992.

## PRINCIPAL ACTIVITIES

The Company produces power alcohol, bakers' yeast, rectified and methylated spirit and other related products from sugar cane molasses.

## RESULTS

Loss for the year carried forward is Kshs.368,390,028. This loss includes an exchange loss amounting to Kshs.313,181,835 arising from the translation of the foreign currency loans at the exchange rate ruling at the balance sheet date. The operating loss before exchange losses was Shs.55,208,193.

## DIVIDENDS

The Directors do not recommend the payment of a dividend.

## DIRECTORS

The Directors as at 30th June, 1992 were:

Dr. W.K. Kilele	- Chairman
Mr. M.N. Mehta	- (Alternate: Mrs. S.M. Mehta)
Mr. Mag. Franz Gritsch	- (Alternate: Mr. J.A. Emukule)
Mr. Charles Mbindyo	
Dr. B.M. Muruli	- (Alternate: Mrs. J. Okanga)
Mr. M.G. Jani	
Industrial and Commercial Development Corporation.	

AUDITORS: - The Auditor General Corporations will continue in office in accordance with section 29(2) of the Exchequer & Audit Act (Cap 412).

By order of the Board.



J.Z. ABUTA  
COMPANY SECRETARY

**AGRO CHEMICAL AND FOOD COMPANY LIMITED**

**REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS  
OF AGRO CHEMICAL AND FOOD COMPANY LIMITED FOR THE YEAR ENDED  
30 JUNE 1992**

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I have examined the accounts of Agro Chemical and Food Company Limited for the year ended 30 June 1992 in accordance with the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations that I have required for the purpose of the audit. Proper books of account have been kept by the Company and the accounts are in agreement therewith and comply with the Companies Act.

During the year ended 30 June 1992, the financial position of the Company continued to deteriorate in that it made a loss of Kshs. 368,390,028.00 (1991 - Kshs. 171,468,474.00) out of which Kshs. 313,381,835.00 related to exchange loss on foreign currency loans. This loss brought the accumulated losses of the Company to Kshs. 1,105,807,953.00 which have wiped out the shareholders funds into a negative balance of Kshs. 825,933,375 as at the same date. The Company also had a negative working capital of Kshs. 279,195,478.00 as at 30 June 1992. Evidently, the Company was facing serious financial problems and was unable to repay loan instalments and interests as they fell due. These accounts have, therefore, been drawn on a going concern basis which is dependent upon satisfactory outcome of the negotiations between the Government and the Company concerning the conversion of loans of Kshs. 1,066,104,970.00 and accrued interest of Kshs. 486,001,132.00 into equity as well as continued support of the creditors.

Subject to the foregoing reservation, in my opinion, the accounts, when read together with the notes thereon, give a true and fair view of the Company's affairs as at 30 June 1992 and of its loss and source and application of funds for the year ended on that date.

A.J. OKOTH  
AUDITOR-GENERAL (CORPORATIONS)

22nd February, 1993

**AGRO-CHEMICAL AND FOOD COMPANY LIMITED**

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH JUNE, 1992

	NOTES	1992 Sh.	1991 Sh.
TURNOVER		222,946,626* =====	181,600,452 =====
LOSS BEFORE TAXATION	2	(368,390,028)	(171,468,474)
TAXATION	3	- =====	- =====
LOSS FOR THE YEAR	13	(368,390,028)	(171,468,474)

\*Includes Kshs. 22,894,359 in respect of export compensation received in 1991/92 but reflected under miscellaneous income in Trading Profit & Loss Account.

**AGRO CHEMICAL AND FOOD COMPANY LIMITED**

**BALANCE SHEET 30TH JUNE, 1992**

	NOTES	1992 SHS.	1991 SHS.
FIXED	4	<u>286,413,426</u>	<u>314,749,641</u>
INVESTMENTS (AT COST)	5	<u>6,000</u>	<u>6,000</u>
DEFERRED EXPENDITURE	6	<u>232,947,647</u>	<u>176,836,973</u>
CURRENT ASSETS			
Stocks and work in progress	7	55,407,449	35,138,890
Debtors	8	78,441,054	60,376,959
Short-term deposits	9	98,738,488	66,598,374
Bank and Cash Balances		62,905	340,974
		<u>232,649,896</u>	<u>162,455,197</u>
		=====	=====
CURRENT LIABILITIES			
Creditors	10	503,384,429	278,559,551
Bank overdraft (secured)	11	8,460,945	18,477,094
		<u>511,845,374</u>	<u>297,036,645</u>
		=====	=====
NET CURRENT ASSETS/(LIABILITIES)		<u>(279,195,478)</u>	<u>(134,581,448)</u>
		<u>240,171,595</u>	<u>357,011,166</u>
		=====	=====
Financed By:			
Share Capital	12	60,000,000	60,000,000
Reserves	13	<u>(885,933,375)</u>	<u>(515,232,049)</u>
Shareholders' Fund		(825,933,375)	(455,232,049)
Loans	11	<u>1,066,104,970</u>	<u>812,243,215</u>
		<u>240,171,595</u>	<u>357,011,166</u>
		=====	=====

The Accounts on pages 7 to 14 were approved by the board of Directors on ..... and were signed on its behalf by:

)  
 )  
 ) Directors  
 )  
 )  
 )



**AGRO-CHEMICAL AND FOOD COMPANY LIMITED**

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

**FOR THE YEAR ENDED 30TH JUNE 1992**

	1992 SHS.	1991 SHS.
Loss before taxation	(368,390,028)	(171,468,474)
Adjustment for items not involving the movement of funds:		
Depreciation	38,040,283	37,508,232
Pre-production revenue expenses written off	-	1,594,114
Prior year adjustment to Reserve	(2,311,298)	-
Exchange Loss on foreign currency loan	197,751,081	64,835,950
Profit on sale of fixed assets	<u>(25,100)</u>	<u>(132,363)</u>
Funds (absorbed)/generated by operation	(134,935,062)	(67,662,541)
Proceeds on sale of fixed assets	110,000	70,990
APPLICATION OF FUNDS	<u>(134,825,062)</u>	<u>67,591,551</u>
Additions to fixed assets	9,788,968	17,665,501
Loans repaid	<u>-</u>	<u>-</u>
	<u>9,788,968</u>	<u>17,665,501</u>

**MOVEMENT IN WORKING CAPITAL**

Increase/(decrease) in stock and work in progress	20,268,559	(8,021,660)
(Decrease)/increase in debtors	18,064,095	23,579,122
Decrease/(increase) in creditors	<u>(224,824,878)</u>	<u>(135,995,393)</u>
	<u>(186,492,224)</u>	<u>(120,437,931)</u>

**(DECREASE)/INCREASE IN NET  
LIQUID FUNDS**

<u>41,878,194</u>	<u>35,180,879</u>
-------------------	-------------------

**Represented by:**

(Decrease)/increase in bank, cash and deposits		
Balances	31,862,045	45,049,407
Decrease/(increase) in bank O/D	<u>10,016,149</u>	<u>(9,868,528)</u>
	<u>41,878,194</u>	<u>35,180,879</u>

## AGRO-CHEMICAL AND FOOD COMPANY LIMITED

### NOTES TO THE ACCOUNTS

#### ACCOUNTING POLICIES

##### (a) BASIS OF ACCOUNTING

the Company prepares its accounts on the historical cost basis of accounting, modified to include the revaluation of certain fixed assets.

##### (b) PRE-PRODUCTION REVENUE EXPENSES

Expenses of revenue nature in the pre-production period are written off in eight equal annual instalments.

##### (c) TURNOVER

Turnover represents the value of alcohol and yeast invoiced to customers.

##### (d) DEPRECIATION

Depreciation is calculated to write off the cost or valuation of fixed assets in equal annual instalments at the following rates:-

Long leasehold land	1.05%
Building	2.5%
Plant and Machinery	8.57% for revalued asset and 6.67% for additions thereafter.
Motor vehicles	25%
Furniture and fixtures	15% for revalued assets and 10% for additions thereafter.

##### (e) Assets and liabilities in foreign currencies are translated at the rates of exchange at balance sheet date. Transactions during the year are translated at the rate of the transaction. Gains or losses on exchange arising from accrued interest and portion of foreign loan due are included in the profit and loss account. However, exchange losses arising from foreign loan not yet due are deferred to be charged in future years.

NOTES OF ACCOUNTS (CONTD.)

(f) Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises purchase cost together with labour, transport and relevant production overheads, where applicable.

2.	LOSS BEFORE TAXATION	1992 SHS.	1991 SHS.
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The loss before taxation is arrived at after charging:

Depreciation	38,040,283	37,508,232
Auditors' remuneration & Exp.	137,500	150,000

Interest payable/(receivable) on:

Loans	118,203,222	87,466,949
Bank Overdraft	3,853,371	2,733,518
Others	-	399,397
Pre-production revenue expenses written off	-	1,594,114
Loss on exchange	313,381,835	98,352,685
	=====	=====

3. TAXATION

There is no liability for taxation at 30th June 1992, there were losses available for carry forward of approximately Shs. 430,000,000 Shs. (1991 - 390,000,000).

**AGRO CHEMICAL AND FOOD COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (CONTD.)**

**4. FIXED ASSETS**

	Long Leasehold Land and Buildings	Plant and Machinery	Capital Work in Progress	Vehicle Furniture and Fixtures	Total
	Shs.	Shs.	Shs.	Shs.	Shs.
<b>COST OR VALUATION</b>					
At 30th June, 1991	76,357,086	402,890,830	4,434,148	10,561,729	494,243,793
Additions/Adjustments	63,680	1,466,640	6,706,143	1,552,505	9,788,968
Transfers	2,350,172	2,144,452	(5,452,466)	957,842	-
Disposals	-	-	-	(141,500)	(141,500)
At 30th June 1992	<u>78,770,938</u>	<u>406,501,922</u>	<u>5,687,825</u>	<u>12,930,576</u>	<u>503,891,261</u>
<b>DEPRECIATION</b>					
At 30th June, 1991	10,117,590	162,704,846	-	6,671,716	179,494,152
Eliminated in respect of disposals	-	-	-	(56,600)	(56,600)
Charge for the year	<u>2,112,582</u>	<u>34,073,333</u>	<u>-</u>	<u>1,854,368</u>	<u>38,040,283</u>
	<u>12,230,172</u>	<u>196,778,179</u>	<u>-</u>	<u>8,469,484</u>	<u>217,477,835</u>
<b>NET BOOK VALUE</b>					
At 30th June 1992	<u>66,540,766</u>	<u>209,723,743</u>	<u>5,687,825</u>	<u>4,461,092</u>	<u>286,413,426</u>
At 30th June 1991	<u>66,239,496</u>	<u>240,185,984</u>	<u>4,434,148</u>	<u>3,890,013</u>	<u>314,749,641</u>

**AGRO-CHEMICAL AND FOOD COMPANY LIMITED**

NOTES TO THE ACCOUNTS (CONTD.)

5. INVESTMENT	1992 SHS.	1991 SHS.
Cost of 300 shares 20/= each in K.G.G.C.U. Limited	6,000	6,000
6. DEFERRED EXPENDITURE		
(a) Pre-production revenue expenses at 1st July	-	1,594,114
Write off for the year at 30th June	-	<u>1,594,114</u>
(b) Loss on translation of foreign currency loans outstanding	<u>232,947,647</u>	<u>176,836,973</u>
TOTAL	<u>232,947,647</u> =====	<u>176,836,973</u> =====
7. STOCK AND WORK IN PROGRESS		
Goods in transit	223,336	200,660
Raw materials & spares	33,536,564	24,607,252
Work in progress	1,010,567	818,496
Finished products	<u>23,368,674</u>	<u>9,512,482</u>
	58,139,141	35,138,890
Less provisional for obsolete & slow moving stock	<u>(2,731,692)</u> 55,407,449 =====	- <u>35,138,890</u> =====
8. DEBTORS		
Trade	63,052,477	53,741,087
Pre-payments	428,032	560,524
Creditors debit balances	1,585,190	1,130,577
Others	<u>13,375,355</u>	<u>4,944,771</u>
	78,441,054 =====	60,376,959 =====
9. SHORTTERM DEPOSITS		
National Bank of Kenya Fixed Deposit	45,000,000	-
Barclays Bank of Kenya Fixed Deposit	50,000,000	50,000,000
Barclays Bank of Kenya Call Deposit	-	13,714,800
Interest receivable on fixed deposit	3,738,488	1,900,274
Interest receivable on call deposits	-	983,300
	<u>98,738,488</u> =====	<u>66,598,374</u> =====
10. CREDITORS		
Trade Creditors	11,492,409	11,130,898
Others	<u>491,892,020</u>	<u>267,428,653</u>
	503,384,429	278,559,551

**AGRO-CHEMICAL AND FOOD COMPANY LIMITED**

NOTES TO THE ACCOUNTS (CONTD.)

11. LOANS	Interest rate %	Repayable in Semi annual Instalments by	1992 ShS.	1991 ShS.
Girozentrale Bank guaranteed by the Government of Kenya	Variable	1997	<u>1,066,104,970*</u>	<u>812,243,215</u>

12. SHARE CAPITAL

Authorised 3,750,000 ordinary shares of Shs.20/=			<u>75,000,000</u>	<u>75,000,000</u>
Issued and fully paid 3,000,000 ordinary shares of Shs. 20/=			60,000,000	60,000,000

NOTE: \*Included in this figure is an amount of Kshs. 552,018,983 being repayment due to Girozentrale as at 30th June 1992 not yet paid in view of conversion arrangement awaited.



**AGRO-CHEMICAL AND FOOD COMPANY LIMITED**

NOTES TO THE ACCOUNTS (CONTD.)

13. RESERVES

	CAPITAL RESERVE SHS.	REVENUE RESERVE SHS.	TOTAL SHS.
At 30th June, 1991	222,185,874	(737,417,923)	(515,232,049)
Prior Year Adjustments*		(2,311,298)	(2,311,298)
Re-stated balance as at 30.6.91	<u>222,185,874</u>	<u>(739,729,221)</u>	<u>(517,543,347)</u>
Loss for the year		(368,390,028)	(368,390,028)
At 30th June, 1992	<u><u>222,185,874</u></u>	<u><u>(1,108,119,249)</u></u>	<u><u>(885,933,375)</u></u>

14. CAPITAL COMMITMENTS

	1992 SHS.	1991 SHS.
Contracted by not provided for	<u>8,965,000</u>	<u>1,991,048</u>
Authorised but not contracted for		
1991/1992	42,915,000	9,958,982
1992/93	97,584,000	44,985,000
	<u>140,499,000</u>	<u>54,943,982</u>

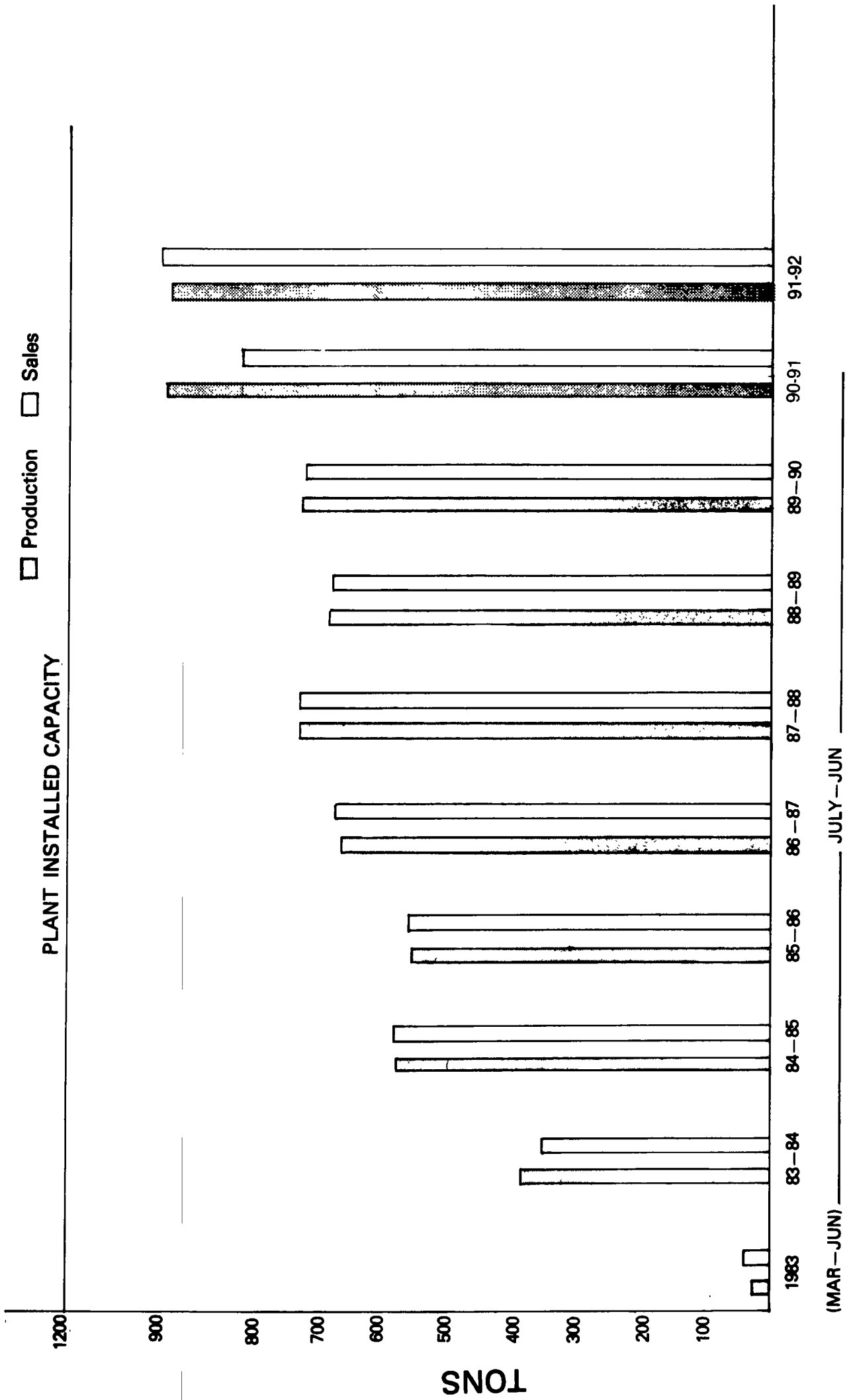
15. CONTINGENT LIABILITY

There is a contingent liability for a total of Shs. 239,800 (1991 to Shs. 3,849,400) in respect of bank letters of credit issued and outstanding as at 30th June, 1992.

16. \*Prior year adjustment represent shortfall in 1990/91 value of finished goods stocks due to change in stocks valuation basis (current base excludes interest on foreign loans) made up as shown below:-

1. Finished Goods	(a) 1990/91 valuation	-	9,512,482
	(b) 1990/91 valuation Restated	-	7,233,750
	Difference		<u>2,278,732</u>
2. Add difference in WIP valuation as restated			32,566
			<u>2,311,298</u>

# PRODUCTION AND SALES — A.D.Y.



(MAR—JUN) \_\_\_\_\_ JULY—JUN \_\_\_\_\_

# PRODUCTION AND SALES — ALCOHOL

