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## MONEY MARKET S

# US tobacco firm Alliance One loses Sh5bn to fraud in Kenya

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A tobacco farmer in his farm. Alliance One had contracted farmers from Migori. PHOTO | JARED NYATAYA

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### IN SUMMARY

- Alliance One said it had dismissed the employees believed to be involved in the scheme and was also pursuing legal action.
- Alliance One had contracted 1,000 farmers in Migori to grow the crop processed at its Thika-based plant. It exports all the produce.
- The facility will now process tobacco leaves sourced from Uganda.

US-based tobacco firm Alliance One has confirmed losing Sh5.08 billion from its Kenyan subsidiary following a seven-year fraud reportedly executed by some of its employees.

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The company said it had dismissed the employees believed to be involved in the scheme and was also pursuing legal action.

“We promptly engaged a third party investigator who determined that improper accounting occurred at our Kenyan entity resulting in approximately \$50.8 million of discrepancies, mainly in inventory and accounts receivable that stretches back to at least 2008,” said the company in a statement.

The discrepancies were discovered last year at a time the company was restructuring prompting investigations.

Alliance One said it had used Sh180 million to investigate the Kenyan matter. The

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company said the discrepancies were only found in Kenya having expanded its investigations to other countries.

“Those we believe are responsible no longer work for the company and we are working with investigators to hold such individuals accountable, while working with our global insurers to seek remedies where available,” said the company.

The company was forced to restate its financial results for the period between 2012 to 2015 and for the first quarter of the fiscal year 2016.

Alliance One said its earnings before interest, tax, depreciation and amortization (EBITDA) in Kenya for the nine months to December 2015 were Sh1.2 billion up from Sh1 billion the previous year.

It announced that it had exited green leaf sourcing in the country from the beginning of 2016 as part of its restructuring programme.

The decision has partly been attributed to global fall in demand for tobacco products as a result of gains that have been made by health campaigners.

Alliance One had contracted 1,000 farmers in Migori to grow the crop processed at its Thika-based plant. It exports all the produce. The facility will now process tobacco leaves sourced from Uganda.

Confirmation of the fraud piles pressure on the Kenyan accounting fraternity to clean up its act following increase in professional malpractices.

Some of the firms that have been cited for accounting malpractice include listed retailer **Uchumi Supermarkets**, its rival Tuskys, lenders Imperial and Chase Bank and Haco Tiger brands.

Profit manipulation at Haco was exposed by its majority shareholder, South Africa-based Tiger Brands. Top management of Haco are said to have cooked books to earn higher bonuses.

READ: [Kenyan managers, CEOs admit their firms are cooking books](#)

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