

REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL

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**REPORT**

[Hon. Aden Duale]

**OF**

on Tuesday  
26<sup>th</sup> June 2018

**THE AUDITOR-GENERAL**

[Afternoon]

**ON**

**THE FINANCIAL STATEMENTS OF  
MWEA RICE MILLS LIMITED**

**FOR THE YEAR ENDED  
30 JUNE 2017**

**MWEA RICE MILLS LIMITED**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**30<sup>TH</sup> JUNE 2017**

**Prepared in accordance with the accrual basis of accounting method under the  
International Finance Reporting Standards (IFRS)**

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## **COMPANY PROFILE**

### **BACKGROUND**

Mwea Rice Mills Ltd. (MRM) is a limited liability company owned by National Irrigation Board (55%) and the Mwea Rice Growers Multipurpose Co-operative Society Limited (45%). The Company was incorporated in 1967 under the Companies Act Cap 486.

#### **Principal Activities**

The major activities of MRM Ltd are buying, processing, marketing and storage of paddy from the Mwea Irrigation Scheme. The company has two milling units with an installed capacity of 5 tones per hour which is sufficient to handle the entire paddy produced in Mwea Irrigation settlement and adjoining regions. The company also boasts of long experience in processing and marketing of the basmati (Pishori) milled rice and the by – products. Which are mainly: Broken rice, Chicken feed and Rice bran

The company's major client is National Cereals and Produce Board. As a way of positioning itself in readiness for privatization, the company has ventured in purchasing of paddy from farmers, milling and marketing to two major supermarkets chains. These are, Uchumi and Tuskys.

#### **Directors**

The directors who served the entity during the year are listed under pages iv to ix.

## **BOARD OF DIRECTORS**

### **HON. IMMANUEL ICHOR IMANA-CHAIRMAN**



Hon. Immanuel Ichor Imana, HCS (Head of State Commendation), was appointed to the Board as the chairman on 10th January, 2017. Prior to his appointment, Hon. Imana served in the Public Service for several years including being the Managing Director of Kerio Valley Development Authority. He has also held several Board positions. He has a wealth of knowledge in management. Prior to this appointment, he was a Peace Ambassador for Turkana County Government.

### **DR EKAL CHARLES IMANA-CHAIRMAN**



Dr. Ekal Charles Imana joined company as the chairman of the Company on 31st May, 2016. He is a holder of PhD in department of Geological Sciences, Geophysics Option from UTEP. Master of Science, Department of Physics, Geophysics Option from UTEP. Alternative Certification, Department of Education, UTEP. Bachelor of Science, Department of Physics, University of Nairobi, Kenya. S1 Science, Science Education, Kenya Science Teacher's College. He is currently an instructor, Department of Geological Sciences, UTEP, GEOL 5315: Selected topics in Geological Sciences (Hydraulic Fracturing, Rocks and Minerals, Earth Structures, Environmental Science). He worked as a teaching Assistant in Dept. of Geological Sciences and Physics at, UTEP. He is a Dual Credit Physics, Dual Credit Astronomy and Chemistry teacher at Andres High School, He has also taught at Horizon High School, Canutillo High School Mont wood High School, Northwest Early College High School, El Paso Community College, Santa Theresa and Zaragoza Campuses, El Paso TX and lecturer at Egerton University dept. of Pysics. He has certificates in English as a second language, Secondary Composite Science and Secondary Physics Science from ESL/ Supplemental, Texas Educator Certification, Texas Educator certificate and Texas Educator certificate respectively. His other achievements in publications, seminars short courses and conferences include; Khatun, S., M. C. I Ekal and D.I Doser, Gravity studies to detect faults controlling ground water movement within lower Mesilla basin, West Texas, Proceedings of the symposium on the Application of Geophysics to Environmental and Engineering Problems, SAGEEP 2003, San Antonio, Texas, paper POT01, 1184-1193,2003. Modelling Free Air Gravity Anomaly Residuals, An Alternate Method to delineate Shallow Geologic Features that May Control ground water Quantity and Quality in the Southern Mesilla Bolson, West Texas Geological Sciences, University of Texas El Paso, Texas, South-Central Section-36th Annual Meeting. Structures of the North-East African Rift, 1993 Colloquium, dept. of Geological Sciences, University of Texas at El Paso. Comparison of the structures of the Rio Grande and East African Rift, Colloquium, dept. of Geological Sciences,

University of Texas at El Paso, American Geological Union Annual Meeting, San Francisco, California, Log Evaluation Techniques For Carbonate Reservoirs, Texas Tech University, Lubbock, Texas and Exchange Student, University of Nairobi to Ecole Polytechnic de Lausanne, Switzerland. The Chairman exited the Board on 9<sup>th</sup> January, 2017.

### **MR. GITONGA MUGAMBI - MANAGING DIRECTOR**



Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Board on 1st August 2017. He is also the Managing Director of the Company by virtue of him being the General Manager of the National Irrigation Board. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agriculturalist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation implementation and management of National Irrigation Board.

**MR. PIUS NJOGU KATHURI, 43 – NON- EXECUTIVE DIRECTOR**



Mr. Pius Njogu Kathuri joined the company's Board in May 2008 he has since been a Non-Executive Director of the Company's Board of Directors. He sits on the Company's Board by virtue of being a Director of Rice Growers Multi-Purpose Cooperative (MRGM) the other shareholder, which is the umbrella body of Mwea Farmers with shares in MRM Limited.

He is a trained teacher by profession. He joined the MRGM Cooperative Board in March 2003. In 2005 he was elected Chairman of the MRGM Cooperative Board.

Mr. Njogu brings vast knowledge, experience and leadership gained from the Expansive Mwea Rice Growing area. He occupies the position in the Board by virtue of his position as a Director of the Mwea Rice Growers Multi-Purpose Cooperative Society (MRGM).

**MR. HARISSON MUTUGI MATHINDI, – NON- EXECUTIVE DIRECTOR**



Mr. Harisson Mutugi Mathindi joined the Company's Board in May 2008. He sits on the Board by virtue of being a Director of rice Growers Multi-Purpose Cooperative Society (MRGM) director.

He is a long serving Director of MRGM having joined the society as Vice Chairman in March 2000, a position he continues to hold up to date. He previously worked with the Ministry of Health from 1973 to 1998. Mr. Mutugi brings vast knowledge, experience and leadership gained from the Expansive Mwea Rice Growing region.

He occupies the position in the board by virtue of his position as a Vice Chairman of the MRGM, which is the other shareholder of MRM Limited. His current occupation is commercial farming.

**MR. CHARLES KAIRU – ALTERNATE TO PRINCIPAL SECRETARY, MINISTRY OF FINANCE, NON-EXECUTIVE DIRECTOR**



Mr. Charles Kairu was appointed to the Bboard on 14<sup>th</sup> October, 2015 as alternate Director to the Cabinet Secretary, National Treasury. He is holder of a Master Degree in Development Economics from Williams College, USA and a Bachelor Degree in Economics from the University of Nairobi. He has over 30 years' experience in the Public Service and is currently serving as Senior Assistant Director in the Public Debt Management Office at the National Treasury.

**Eng. WILFRED ONCHWARI ONCHOKE-55, - REPRESENTATIVE PRINCIPAL SECRETARY, MNISTRY OF WATER AND IRRIGATION, NON-EXECUTIVE DIRECTOR**



Eng. Wilfred Onchoke is a member of the Board by virtue of his position as the Alternate to the Permanent Secretary, Ministry of Water and Irrigation. He is also a Non-Executive Director of Mwea Rice Mills Limited, a Subsidiary of National Irrigation Board.

He is Deputy Director Technical Services Division in the Ministry OF Water and Irrigation. Prior to his current appointment, Eng. Onchoke was the Provincial Irrigation Officer- Western Province, Officer-in-Charge Provincial Irrigation Unit Western Province, District Irrigation Engineer Meru, Irrigation Engineer (Ministry of Agriculture) Coffee Factories Irrigation Engineer and Deputy Manager Agricultural Mechanization Station in the Ministry of Agriculture.

He is a holder of M.S.C in Land and Water Engineering as well as B.S.C Degree in Agricultural Engineering (Honors) from University of Nairobi. He is an Associate Member of Kenya Society for Agricultural Engineers (KSAE), Corporate Member of Institution of Engineers of Kenya and a Registered Engineer. As a member of the Board, Eng. Onchoke ensures that the policies WCRM Limited implements are in line with the Government policy.

**MR. DENNIS BANDA AROKA - LLB (HONS.) EMBA, FCPS (K) - Company**



**Secretary**

Mr Dennis Banda Aroka is the Company Secretary of National Irrigation Board and MRM. Prior to joining the Board in 2012, he had practiced as a consultant Company Secretary and held other similar positions for over 20 years. He holds an Executive MBA from Moi University. He also holds LLB (Hons) from Catholic University of East Africa. He is a Fellow Member of the Institute of Certified Public Secretaries of Kenya and has previously held the position of Council Member of the same institute.

## **FIDUCIARY OVERSIGHT ARRANGEMENTS**

### **AUDITORS**

**Kenya National Audit Office  
P.O Box 30084-00100  
NAIROBI, KENYA**

### **LAWYERS**

**Liliani G. Kimani  
Fortis Suites, 2<sup>nd</sup> Floor  
NAIROBI**

### **BANKERS**

**Barclays Bank of Kenya  
Queensway house  
P.O. Box 30011  
NAIROBI.**

**Barclays Bank of Kenya  
P.O. Box 88  
EMBU.**

**Kenya Commercial Bank  
P.O. Box 393  
WANGURU.**

### **REGISTERED OFFICE**

**Head Office  
Unyunyuzi house- building  
Lenana Road  
P.O. Box 30372-00100**

### **FACTORY**

**Wanguru  
P.O. Box 80  
WANGURU**

## **SECRETARIAT MANAGEMENT**

The Secretariat team comprises of the General Manager, the Deputy General Manager and the Company Secretary as follows:

### **MR. GITONGA MUGAMBI - MANAGING DIRECTOR**



Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Board on 1st August 2017. He is also the Managing Director of the Company by virtue of him being the General Manager of the National Irrigation Board. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agriculturalist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation implementation and management of National Irrigation Board.

### **MR. DANIEL ATULA MASATIA - DEPUTY GENERAL MANAGER - OPERATION AND IRRIGATION MANAGEMENT SERVICES.**



Mr. Daniel Atula Masatia was appointed to the post of Deputy General Manager Operations of National Irrigation Board on 1st February, 2018. He holds Bachelor of Science degree in Agriculture from University of Nairobi and is currently pursuing his MBA in Strategic Management. Mr Daniel Masatia is a well accomplished agriculturalist and manager with experience of over 25 years in scheme, projects and research operations, planning and Strategy formulation and implementation, Resource Mobilization, Formulation and execution of irrigation programmes ranging from development to operations. His experience and expertise is valuable in policy formulation and in the provision of irrigation services.

### **MR. DENNIS BANDA AROKA - LLB (HONS.) EMBA, FCPS (K) - COMPANY SECRETARY**



Mr Dennis Banda Aroka is the Company Secretary of National Irrigation Board and MRM. Prior to joining the Board in 2012, he had practiced as a consultant Company Secretary and held other similar positions for over 20 years. He holds an Executive MBA from Moi University. He also holds LLB (Hons) from Catholic University of East Africa. He is a Fellow Member of the Institute of Certified Public Secretaries of Kenya and has previously held the position of Council Member of the same institute.

## **CHAIRMAN'S STATEMENT**

In the current financial year, the Performance of Mwea Rice Mills has reduced from an annual turnover of KSh. 50.8m to KSh.48m. The cost of production has equally reduced in tandem with the turnover from KSh. 43.8m to Ksh. 40m.

The decrease in turnover has been attributed to competition from other millers who have increased their capacity at strategic beacons near the main road. The drought that took place during the year negatively impacted on the production of paddy leading to lack of raw material for milling.

Additional costs are attributed to cost of power and labour which the mills are working on how to counter act this.

In order to turn around the negative performance, the company is working on a number of strategies.

These include intensive marketing of its milled rice, reduction of labour and power costs through more efficient ways of milling, marketing of other by products, value addition on rice products and increase rental income in the company's properties.

The company is also planning to develop a go-down on the plot on the Embu road so as to retain some of its milling customers lost due to competition.

## **REPORT OF THE MANAGING DIRECTOR**

In the current year, the performance of the mill has been depressed due to heavy cost of milling due to power tariff change by KPLC which led to additional cost of production. However, the company is working on strategies which will allow it to continue being the dominant miller in the area. The future plans of the company is bright as there are assets whose focus is being directed to boost income especially the buildings in Nairobi that have been receiving depressed income.

Likewise, due to the good quality of rice that is being milled, efforts are being put in place to market the product in new markets.

## **CORPORATE GOVERNANCE STATEMENT**

Corporate governance is the process by which organizations are directed and controlled with the objective of increasing stake/shareholders value and satisfying them. This is achieved by establishing a system of clearly defined authorities and responsibilities, which result in a system of internal controls that is regularly tested to ensure effectiveness.

At Mwea Rice Mills Ltd, the Management places a high degree of importance on maintaining a sound control environment and applying the highest standards of operational integrity and professionalism in all areas of its activities.

The Management is responsible for the governance of MRM Ltd and conducts the business and operations of MRM Ltd with integrity and in accordance with generally accepted corporate practices, in a manner based on transparency, accountability and responsibility.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Company's turnover decreased from Ksh. 50,884,196 to Ksh.48, 072,156 in the current year under review. This represents 2.8% decrease when compared with the previous year. On the other hand, cost of sales decreased from Ksh.43, 845,548 in the previous year to Ksh.40, 426,155 in the current year under review, representing 4% decrease. Further, the operational costs decreased from Ksh. 19,669,452 in the previous year to Ksh. 17,398,439 in the current year under review, representing 6.1% increase. From the chart, it is also indicated that the profits for the year decreased from Ksh.1, 577,834 to Ksh.1, 003,870. Which gives us a 22.2% decrease in profits. This information is highlighted in figure 1 below, in the form of a bar chart.

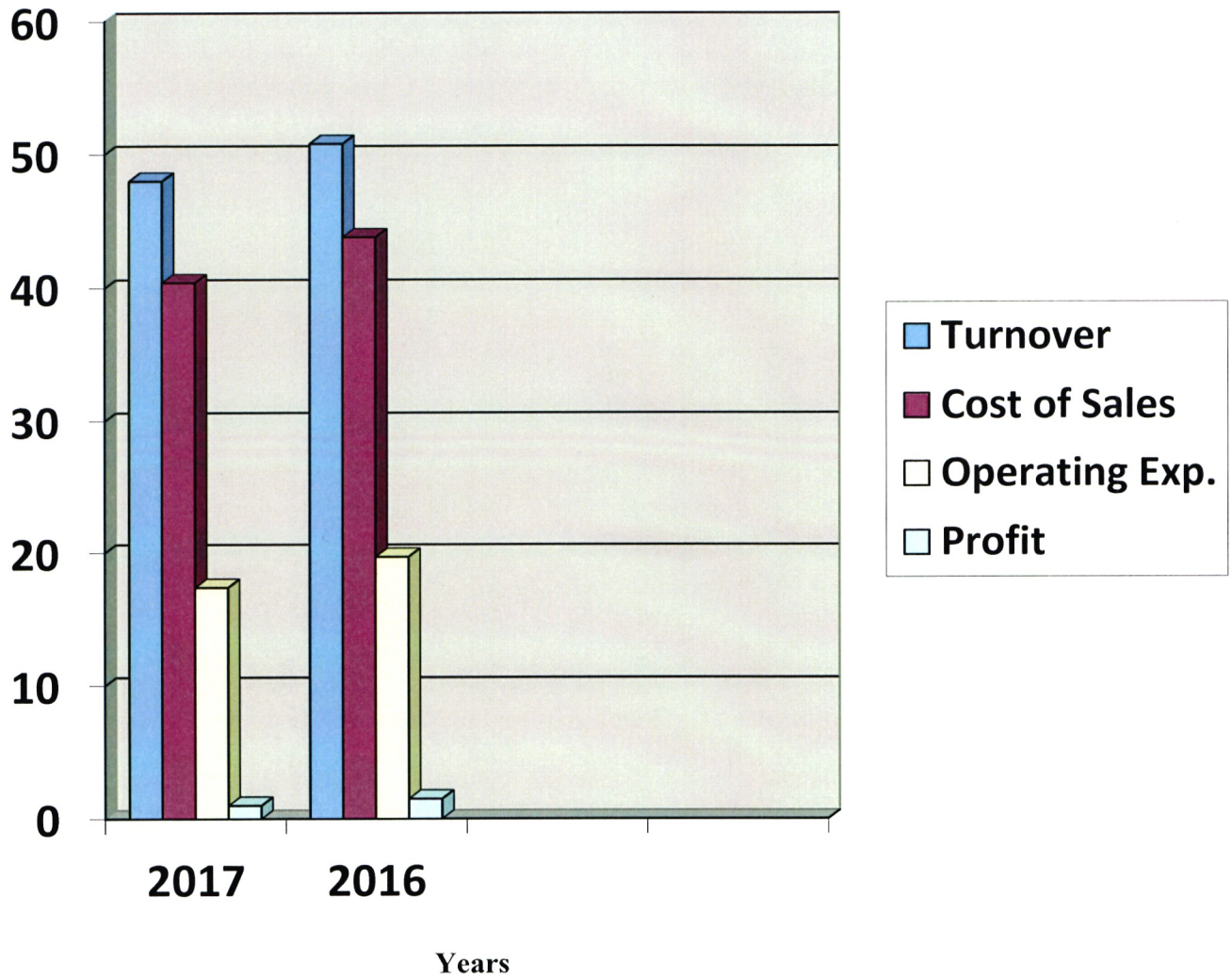
The Company's unfavorable performance is associated with the climatic change where by the country was hit by the drought which resulted to poor yields for the farmers. As a result, there was no sufficient raw material of paddy for the Company. The negative performance can also be attributed to the availability of cheap imported rice in the market. The other reason is that despite the availability of cheap imported rice, the cost of production for our local rice has remained high. Hence, making the price for the raw material for the Company to be very high. And as a result, making the cost of production to be high.

Furthermore, the performance of the mill has been depressed due to heavy cost of milling due to power tariff change by KPLC which led to additional cost of production. The drought that took place during the year negatively impacted on the production of paddy leading to shortage in supply market. This led to less milling as the mills had to reduce milling hours during the period. However, the company is working on the strategies which will allow it to continue being the dominant miller in the area. The future plan of the company is bright as there are assets whose focus is being directed to boost income especially the buildings in Nairobi that have been receiving depressed income.

Likewise, due to the good quality of rice that is being milled, efforts are being put in place to market the product in new markets.

In order to turnaround the business of the Company, the management has plans of coming up with both short term and long term business plans. With the completion of the Thiba dam project, it is viewed that water will be made available leading to better yields for the farmers. Hence, enhancing the availability of the raw material at a considerable price to the Company.

Figure 1: X Axis represents Ksh. In Millions



## **CORPORATE SOCIAL RESPONSIBILITY**

In the past years the Company has been involved in Social responsibilities such as feeding programmes for the disadvantaged children. Unfortunately, due to some financial constraints in the current financial year under review, the Company was not able to serve the community.

## **REPORT OF THE DIRECTORS**

The directors submit this report together with the financial statements for the year ended 30<sup>th</sup> June 2017 which show the state of the Mwea Rice Mills Ltd Company's affairs.

### **Principal activities**

The principal activities of the Company are processing and marketing of milled white rice and the By-products mainly from Mwea Settlement Scheme.

### **Results**

The results of the Company for the year ended June 30<sup>th</sup> 2017 are set out on pages 1 to 4 of the financial statements.

### **Dividends**

Subject to the approval of the shareholders, the Directors did not recommend the payment of a first and final dividend for the year ended 30<sup>th</sup> June 2017. This is because the Company has not been performing well.

### **Directors**

The members of the Board of Directors who served during the year are shown on pages iv to ix. The Board of Directors for the Company comprises of the Chairman who is also the Chairman of the NIB's Board of Directors, three representatives of the PS- National Treasury, Ministry of Water & Irrigation and the office of the Inspectorate of State Corporations as an ex-officio member, the Managing Director who also serves as the General Manager for NIB, the Chairman and the Vice Chairman of the Mwea Rice Growers Multi- Purpose Co-operative Society (MRGM). The farmers' representatives' directorship ceases once they stop serving in those capacities for the Society.

### **Auditors**

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Sign.....

Mr. Dennis Banda Aroka  
Company Secretary

Date:.....06/04/2018.....

## STATEMENT OF DIRECTOR'S RESPONSIBILITY

Section 81 of the Public Finance Management Act, 2012 and *Companies Act, 2015* require the Directors to prepare financial statements in respect of Mwea Rice Mills, which give a true and fair view of the state of affairs of the *Company* at the end of the financial year/period and the operating results of the *Company* for that year/period. The Directors are also required to ensure that the *Company* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Company*. The Directors are also responsible for safeguarding the assets of the *Company*.

The Directors are responsible for the preparation and presentation of the *Company's* financial statements, which give a true and fair view of the state of affairs of the *Company* for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *Company*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Company*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Company's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act, 2015. The Directors are of the opinion that the *Company's* financial statements give a true and fair view of the state of *Company's* transactions during the financial year ended June 30, 2017, and of the *Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Company*, which have been relied upon in the preparation of the *Company's* financial statements as well as the adequacy of the systems of internal financial control.

### Approval of the financial statements

The *Company's* financial statements were approved by the Board on 6<sup>th</sup> April 2018 and signed on its behalf by:

Sign  .....

**Director: MR. JOSEPH GATHIBA KIBABAI**

**DATE** 06/04/2018 .....

Sign  .....

**Director: MR. HARISSON MUTUGI MATHINDI**

**DATE** 06/04/2018 .....

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MWEA RICE MILLS LIMITED FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Mwea Rice Mills Limited set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respect, the financial position of Mwea Rice Mills Ltd as at 30 June 2017, 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, 2015

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion section of my report, based on audit procedures performed, I confirm that nothing has come to my attention to make me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Qualified Opinion

##### 1.0 Property, Plant and Equipment

##### 1.1 Fully depreciated

As previously reported, the property, plant and equipment balance of Kshs.39,414,737 as at 30 June 2017 includes a balance of Kshs.9,156,781 relating to buildings which were fully depreciated and have not been revalued in accordance with International Accounting Standard No 16 which provides that revaluations shall be carried out with sufficient regulatory to ensure that the carrying asset amounts do not differ materially from those which would be determined using fair values at the end of the reporting period. Paragraph 34 of the standard further provides that where some items of property, plant and equipment experiences significant and volatile changes in fair value, annual valuations need to be carried out.

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*Report of the Auditor-General on the Financial Statements of Mwea Rice Mills Limited for the year ended 30 June 2017*

As a result of the omission, it has not been possible to confirm that the balance of Kshs.39,414,737 represents fair value of the property, plant and equipment of the Company.

## **1.2 Undervaluation of Land in Wanguru (Mwea)**

The non-current assets of Kshs.39,414,737.00 is land which was acquired in 1992 at a cost of Kshs.280,000.00. The land has never been revalued contrary to International Accounting Standard no. 16 which requires sufficient regularity of revaluing to ensure the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Based on a survey of the price of land in Kirinyaga County revealed that a quarter of an acre costs approximately Kshs.4 million. The approximate area reported in the financial statements is 1.62 hectares which is equivalent to 4.0014 acres. From the foregoing it means therefore that the land has an approximate valuation of Kshs.32 million.

In the circumstances, it is not possible to confirm that the non-current assets balance of Kshs,39,414,737 is fairly stated.

## **2.0 Investment Property**

### **2.1 Valuation of Investment Property**

As reported in the previous year and disclosed under note 3 to the financial statements, the investment property of Kshs.114,784,536.00 as at 30 June 2017 are carried in the financial statements at the amount that was valued in 2009. This is contrary to the provisions of the International Accounting Standards No.16. The standard requires an entity that elects to use revaluation model as the measurement model of fixed assets to ensure that the assets are revalued regularly so as to reflect the market prices at the end of each reporting period.

Consequently, it has not been possible to confirm whether the carrying values of Kshs.114,784,536.00 as stated in the financial statements reflect the fair values of the investment property.

### **2.2 Plot without Ownership Document**

As reported previously, note 3 to the financial statements reflects an amount of kshs.114,784,536.00 relating to investments. Audit verification revealed that the Company owns houses (Massionettes) at Kilimani area near the National Irrigation Board Headquarters along Lenana road and residential building located in Mwea. However, the ownership document provided for audit review shows that the land is in the name of TAWS LTD and the other title deed is in the name of the original owners (some of the owners have since gone ahead to subdivide the parcel and transferred ownership to other parties as new owners in Mwea) respectively.

Consequently, the validity and ownership of the investment properties of Kshs.114,784,536.00 could not be confirmed.

### **3.0 Trade and Other Receivables**

As reported previously, trade and other receivables balance of Kshs.25,641,814.00 as at 30 June 2017 includes fixed deposits in Continental Credit Finance (in liquidation) of Kshs.16,815,053.00. Although management has made full provision for the balance whose recoverability remains doubtful, no explanation has been provided on the action taken to recover the amount from the Receiver Manager. It was also noted that the last correspondence between the company and the Official Receiver and Provisional Liquidator was in March 2010.

It was not possible to ascertain the fair values and recoverability of trade and other receivables balance of Kshs.16,815,053.00.

### **4.0 Long-term Liabilities**

#### **4.1 Capital Fund for Mill Rehabilitation**

Note 12 to the financial statements revealed that the company has a long outstanding liability under the Capital fund for mill rehabilitation component. Mwea Rice Mills used to levy National Irrigation Board a levy based on kilograms milled when the NIB was milling rice for sale. The levy was to cater for rehabilitation of the Mills. This levy was later stopped when the NIB stopped this core business of selling the rice. The amount of levy collected had accumulated to Kshs.52,610,534.00. The period the levy was collected is not indicated. The amount is classified as long-term liability.

Consequently, the accuracy and completeness of the capital fund mill rehabilitation of kshs.52,610,534.00 could not be confirmed.

#### **4.2 Government Proposed Levy**

As reported previously, long term liabilities balance of Kshs.74,647,904 as at 30 June 2017 includes a Government proposed levy balance of Kshs.22,037,370.00 that has remained unsettled for more than 28 years. Further, the company has no credit policy to regulate credit management. In addition, no documentary evidence has been provided to support the liability.

Consequently, the accuracy and completeness of the long term liability of Kshs.74,647,904 could not be confirmed.

### **5.0 Irregular Revenue Under Collection**

Mwea Rice Mills Limited owns two Investment Properties in Nairobi, (Massionate houses along Lenana road and Leaders House within Nairobi CBD). The Massionette houses are occupied by MFI staff while Leaders House is occupied by various tenants.

## **5.1 Rental Income**

As reported in the previous period, Mwea Rice Mills Limited owns twenty-three (23) houses along Lenana Road in Nairobi. This constitutes ten(10) four-bedroom houses, with five of them partitioned into two bedroomed units and hence occupied by two tenants each; nine (9) three bedroom and four (4) one-bedroom houses. Further, enquiries revealed that the tenants repaired the gymnasium during financial year 2015/2016 and deducted the costs of the repairs from rent payable each month yet no rent is collected from the gymnasium.

As reported in the previous year, in comparison with the market rates which range between Kshs.150,000 and Kshs.200,000 for such houses, the rent is grossly understated as the company currently collects Kshs.490, 050 on monthly basis from all the units.

Further, the audit revealed that there is no current and up to date lease agreement between the Company and MFI. This therefore has left the management of the property in the hands of the tenant.

## **5.2 Investment Income**

Leader house which is within Nairobi CBD houses various tenants carrying out different business activities. The building which earned the company investment income of Kshs.1,858,196 during the period under review is grossly understated considering the market rate of the properties around the area. Further, the company has not instituted mechanisms of dealing with the property with regard to maintenance and management as there is no lease agreement between the company and the various tenants. As such the tenants either do not pay rent on time or do not pay at all.

In view of the foregoing, the completeness of the corporation's revenue collection for the year could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am independent of Mwea Rice Mills Ltd in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters, in my professional judgment, are considered of significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

## **Responsibilities of Management and those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) 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.

In preparing the financial statements, management is responsible for assessing the company's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the company's financial reporting process.

## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

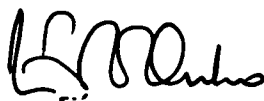
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Manager.
- Conclude on the appropriateness of the General Manager use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the General Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the General Manager with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**29 May 2018**

**MWEA RICE MILLS LIMITED**  
**STATEMENT OF PROFIT AND LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTES	2016/2017 KSHS	2015/2016 KSHS
Turnover	15	48,072,156	50,884,196
Cost of sales	16	(40,426,155)	(43,845,548)
		<hr/>	<hr/>
Gross profit/(Loss)		<b>7,646,001</b>	<b>7,038,647</b>
<b>Other Income</b>	17	3,447,742	7,121,058
<b>Investment income</b>	18	7,738,796	7,763,796
Administrative expenses	19	(14,920,946)	(16,186,630)
Other expenses	20	(2,132,293)	(3,482,822)
Board Members Expenses	22	(345,200)	-
		<hr/>	<hr/>
<b>Profit before Taxation</b>		<b>1,434,100</b>	<b>2,254,049</b>
Tax provision (30%)		430,230	676,215
		<hr/>	<hr/>
Profit for the year		<b><u>1,003,870</u></b>	<b><u>1,577,834</u></b>

**MWEA RICE MILLS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2017**

ASSETS	<u>NOTES</u>	2016/2017 KSHS	2015/2016 KSHS
<b><u>NON CURRENT ASSETS</u></b>			
Property, plant & Equipment	2	39,414,737	45,159,961
Investment Property	3	114,784,536	119,837,933
		<b>154,199,273</b>	<b>164,997,894</b>
<b><u>CURRENT ASSETS</u></b>			
Inventories	4	49,279,484	60,614,979
Trade and Other Receivables	5	25,641,814	17,087,334
Cash and Cash Equivalent	6	67,399,269	56,714,803
Kenya Revenue Authority	7	1,952,021	1,952,021
		<b>144,272,589</b>	<b>136,369,137</b>
<b>TOTAL ASSETS</b>		<b>298,471,861</b>	<b>301,367,031</b>
<b><u>CAPITAL FUNDS, RESERVES &amp; LIABILITIES</u></b>			
Share Capital	8	5,000,000	5,000,000
General Reserve	9	8,700,000	8,700,000
Revaluation Reserve	10	114,491,708	119,532,372
Accumulated Profit/(Loss)	11	52,565,354	51,561,484
		<b>180,757,062</b>	<b>184,793,856</b>
<b><u>LONG-TERM LIABILITIES</u></b>			
Capital Fund for Mill Rehabilitation	12	52,610,534	52,610,534
Government proposed levy **	13	22,037,370	22,037,370
		<b>74,647,904</b>	<b>74,647,904</b>
<b><u>CURRENT LIABILITIES</u></b>			
Trade and Other Payables	14	43,066,895	41,925,271
		<b>43,066,895</b>	<b>41,925,271</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>298,471,861</b>	<b>301,367,031</b>
The financial statements were approved by the Board on <u>06/04/2018</u> And signed on its behalf by:			
Sign..... <b>MR. JOSEPH K. KIGOTHO</b> <b>SENIOR ACCOUNTANT-</b> <b>ICPAK M/NO. '17161</b>	Sign..... <b>MR. GITONGA MUGAMBI</b> <b>MANAGING DIRECTOR</b>	Sign..... <b>HON. IMMANUEL ICHORIMANA</b> <b>CHAIRMAN</b>	
DATE..... <u>06/04/2018</u> .....	DATE..... <u>06/04/2018</u> .....	DATE..... <u>06/04/2018</u> .....	

**MWEA RICE MILLS LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Share Capital Kshs	General Reserves Kshs	Accumulated Profits Kshs	Capital Fund Kshs	Revaluation Reserves Kshs	Total Kshs
<b>As at 1st July 2015</b>	5,000,000	8,700,000	49,983,650	52,610,534	124,573,036	240,867,220
Profit and Loss account Amortization			1,577,834	-	-	1,577,834
			-		5,040,664	5,040,664
<b>At 30 June 2016</b>	<b>5,000,000</b>	<b>8,700,000</b>	<b>51,561,484</b>	<b>52,610,534</b>	<b>119,532,372</b>	<b>237,404,390</b>
<b>As At 1 July 2016</b>	<b>5,000,000</b>	<b>8,700,000</b>	<b>51,561,484</b>	<b>52,610,534</b>	<b>119,532,372</b>	<b>237,404,390</b>
Profit and Loss account Amortization			1,003,870	-	-	1,003,870
			-		5,040,664	5,040,664
<b>As at 30 June 2017</b>	<b>5,000,000</b>	<b>8,700,000</b>	<b>52,565,354</b>	<b>52,610,534</b>	<b>114,491,708</b>	<b>233,367,596</b>

# MWEA RICE MILLS LTD

## STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE, 2017

	NOTES	2016/2017 KSHS	2015/2016 KSHS
<b><u>Operating Activities</u></b>			
Surplus	11	1,003,870	1,577,834
<b>Adjustment for non cash items</b>			
Depreciation	21	5,919,089	5,623,288
Loss on disposal		-	8,330
<b>Operating profit before working capital changes</b>		<b><u>6,922,959</u></b>	<b><u>7,209,452</u></b>
<b><u>Working Capital changes</u></b>			
- (Increase)/Decrease in Inventories		11,335,495	10,091,785
- (Increase)/Decrease in Receivables		(8,554,480)	(10,393,662)
- Increase/(Decrease) in Payables		1,141,623	3,973,893
<b>Net cash from operating activities</b>		<b><u>10,845,598</u></b>	<b><u>10,881,468</u></b>
<b><u>Investing activities</u></b>			
Additions on (computers/Furn.)		(161,132)	(2,954,357)
<b>Net Cash from investing activities</b>		<b><u>(161,132)</u></b>	<b><u>(2,954,357)</u></b>
<b><u>Financing activities</u></b>			
<b>Net Cash from financing activities</b>			
Net increase/(decrease) in Cash & Equivalent for year		10,684,466	7,927,111
Cash & Cash Equivalent at the beginning of the year		56,714,803	48,787,692
<b>Cash &amp; cash equivalent at the end of the year</b>	<b>6</b>	<b><u>67,399,269</u></b>	<b><u>56,714,803</u></b>

**RECURRENT BUDGET FOR MRM LTD FOR THE FINANCIAL YEAR 2016/2017**

**1. BUDGETED INCOME FOR THE FINANCIAL YEAR 2016/2017**

PARTICULARS	QUANTITY (KG)	UNIT PRICE KSHS	AMOUNT (KSH)
Income from commercial milling services	8,000,000	2.50	20,000,000
Rice Bran	688,000	12.00	8,256,000
Rice sales (5,000 x75Kg Bags) at 50% recovery	186,000	130.00	24,180,000
Broken Rice	20,000	50.00	1,000,000
Storage income from NCPB and MIAD			1,914,000
Rental income from staff Houses in			1,569,000
Investment income ( Leader House			7,748,796
<b>TOTAL INCOME</b>			<b>64,667,796</b>

1. RECURRENT BUDGET DETAILS FOR THE FINANCIAL YEAR 2016/2017				VARIANCE
DESCRIPTION	VOTE	BUDGET FOR FINANCIAL YR 2016/2017 (KSHS.)	ACTUALS FOR 2016/2017 (KSHS.)	(KSHS.)
Expected Income (A)		64,667,796	59,258,694	5,409,102
Salaries & Wages Administration	961	3,500,000	3,095,073	404,927
House Allowance		230,000	227,500	2,500
Casual Wages	957	7,000,000	6,795,461	204,539
Training Expenses	825	100,000	-	100,000
Gratuity		350,000	255,046	94,954
Inpatient Med Exp	838	500,000	-	500,000
Outpatient Med Exp	838	200,000	31,796	168,204
Uniforms	849	200,000	75,000	125,000

Advertising expenses	843	300,000	-	300,000
Travelling, Meals & Accommodation	847	3,500,000	3,318,189	181,811
Electricity Expenses	914	7,500,000	7,317,504	182,496
General mtce -buildings	731	550,000	539,259	10,741
Office mtce- buildings	733	400,000	46,994	353,006
Stores mtce - buildings	732	400,000	121,093	278,907
Staff Houses mtce	734	200,000	142,834	57,166
Maissonates & Leader House mtce	735	2,000,000	1,867,426	132,574
Office Furniture maintenance		100,000	-	100,000
P & M maintenance - Mills Spares	645	4,700,000	4,638,594	61,406
Motor Vehicle maintenance	615	500,000	491,173	8,827
Bicycle Allowance	619	10,000	7,200	2,800
Travelling Expenses Board Members	851	500,000	345,200	154,800
Printing & Stationery	832	1,100,000	1,056,182	43,818
Insurance expenses	834	400,000	-	400,000
Corporate Social Responsibility.	873	50,000	-	50,000
Rate & Rents	841	500,000	-	500,000
Subscriptions & Periodicals	842	150,000	100,440	49,560
Telephone expenses	911	250,000	217,900	32,100
Postage	913	2,000	-	2,000
Legal & Professional fees	839	500,000	185,600	314,400
Security Services	714	2,400,000	1,509,089	890,911
Production Levy (KEBS)	342	100,000	31,900	68,100
Bank Charges	836	320,000	85,944	234,056
Staff Welfare	458	150,000	-	150,000
Admin & Accountancy fee		2,186,000	1,777,761	408,239
Audit Fee	833	500,000	348,000	152,000

NSSF		50,000	30,200	19,800
Leave Allowance		250,000	73,340	176,660
Paddy Purchases	116	13,000,000	12,083,242	916,758
Basmati rice Purchases	117	3,200,000	3,061,408	138,592
Marketing expenses	826	100,000	73,900	26,100
Diesel Cost	916	700,000	607,656	92,344
Petrol Cost	917	50,000	-	50,000
Oils & greases	918	10,000	5,825	4,175
Bags & Other Packing Material	881	1,200,000	1,123,728	76,272
Office Tea expenses	846	300,000	163,429	136,571
Computer Expenses	854	200,000	54,000	146,000
Office Machinery maintenance	852	50,000	-	50,000
Other expenses	853	500,000	430,850	69,150
Depreciation			5,919,089	-5,919,089
<b>TOTAL EXPENDITURE (B)</b>		<b>60,958,000</b>	<b>58,254,824</b>	<b>2,703,176</b>
<b>Surplus /Deficit (A- B)</b>		<b>3,709,796</b>	<b>1,003,869.9</b>	
<b>2. CAPITAL BUDGET FOR THE FINANCIAL YEAR 2016/2017</b>				
<b>DESCRIPTION</b>	<b>VOTE</b>	<b>BUDGET FOR THE FY 2016/2017</b>		
		<b>(KSHS.)</b>		
7 Tones Tipper Lorry		7,000,000	-	7,000,000
Office Furniture		555,000	-	555,000
Office Equipment		400,000	-	400,000
Go down Stores		8,500,000	-	8,500,000
Double Cab pick-up		5,100,000	-	5,100,000
<b>TOTAL</b>		<b>21,555,000</b>	<b>-</b>	<b>21,555,000</b>

**ACCOUNTING POLICIES****1 General Information**

Mwea Rice Mills Ltd was established by and derives its authority and accountability from the Companies Act Cap. 486. The Company is partially owned by the Government (National Irrigation Board-55%) and the farmers under their Co-operative Society (Farmers Amalgamated Society-45%).

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

**2 Statement of compliance and basis of preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued of certain items of property, plant and equipment, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. Preparation of financial statements in conformity with the International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires the management to exercise judgement in the process of applying the Company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.

The financial statements have been prepared in accordance with the PFM Act, and International Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**3 Adoption of New And Revised Standards**

- (i) No relevant new standards and amendments to published standards effective for the year ended 30 June 2017 were adopted in the year under review.

Standard/Amendment to a standard	Effective date	Impact
IFRS 14 Regulatory Deferral Accounts (issued in January 2014)	1st Jan 2016	The new standard, effective for annual accounting periods beginning on or after 1 January 2016, defines a regulatory deferral account balance and allows entities to continue to apply their existing policy for regulatory deferral account balances, but requires certain disclosures.
Amendments to IFRS 11 titled Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)	1st Jan 2016	The amendments, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).
Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)	1st Jan 2016	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
Amendments to IAS 16 and IAS 41 titled Agriculture: Bearer Plants (issued in June 2014)	1st Jan 2016	The amendments, define bearer plants – ie living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives (eg grape vines, rubber trees, oil palms) - and include them within IAS 16's scope while the produce growing on bearer plants remains within the scope of IAS 41

Amendments to IAS 27 titled Equity Method in Separate Financial Statements (issued in August 2014)	1st Jan 2016	The amendment, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle , issued in September 2014)	1st Jan 2016	The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.
Amendment to IFRS 7 (Annual Improvements to IFRSs 2012–2014 Cycle , issued in September 2014)	1st Jan 2016	The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.
Amendments to IFRS 10, IFRS 12 and IAS 28 titled Investment Entities: Applying the Consolidation Exception (issued in December 2014)	1st Jan 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014)	1st Jan 2016	The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1st Jan 2016	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> <li>. Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.</li> </ul> <p>The carrying amount of an asset does not limit the estimation of probable future taxable profits.</p> <p>Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</p> <p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</p>
Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)	1st Jan 2017	<p>The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following challenges in liabilities arising from financing activities are disclosed (to the extent necessary):</p> <ul style="list-style-type: none"> <li>(i) changes from financing cash flows;</li> <li>(ii) changes arising from obtaining or losing control of subsidiaries or other businesses;</li> <li>(iii) the effect of changes in foreign exchange rates;</li> <li>(iv) changes in fair values; and</li> <li>(v) other changes</li> </ul>
Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 Disclosure of interests in other entities	1st Jan 2017	Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017.**

IFRS 15 Revenue from Contracts with Customers (issued in May 2014)	1st Jan 2018	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.
IFRS 9 Financial Instruments (issued in July 2014)	1st Jan 2018	<p>This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:</p> <ul style="list-style-type: none"> <li>. IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.</li> <li>. For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.</li> <li>. For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.</li> <li>. For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures.</li> <li>. The derecognition provisions are carried over almost unchanged from IAS 39.</li> </ul>
IFRS 16: Leases (issued in January 2016)	1st Jan 2019	The new standard introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

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

**(iii) Early adoption of standards**

The Company did not early - adopt any new or amended standard in the year 2017.

#### 4 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are as set out below:-

##### (a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of the value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities as described below;

- (i) Revenue from the sale of goods and services is recognised in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- (ii) The Company does not receive any grants from the National Government.
- (iii) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method. Though the Company did not receive such income during the year under review.
- (iv) Dividend income is recognised in the income statement in the year in which the right to receive the payment is established. The company did not receive such income during the year under audit.
- (v) Rental income is recognised in the income statement as it accrues.
- (vi) Other income is recognised as it accrues.

##### (vii) Financial Risk management

###### Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of the changes in the market such as price fluctuations and changes in exchange rate. However, the Company was not exposed to this risk during the year under audit.

###### Credit risk

Credit risk is the risk that a customer will not meet his/her financial instrument or customer contract, leading to a financial loss.

The company was not exposed to this risk during the year under audit.

###### Liquidity risk

Liquidity risk is the risk that the will not be able to meet its financial obligations when they fall due. capital. The company limits this risk by conservative use of loan capital.

##### b In-kind contributions

These refers to donations made to the Company in the form of actual goods and/ or services rather than in money or cash terms. These donations may include; vehicles. Equipment or personnel services. Where the financial value received can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts. Otherwise, the contribution is not recorded. No such contribution was received in the year under review.

##### © Property Plant and Equipment

All items of Property, Plant and Equipment are initially measured at cost. After initial recognition they are stated at historical cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amount is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in carrying amount of the same assets are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

**(d) Depreciation and impairment of property, plant and equipment**

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

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

Buildings	4% p.a
Plant and Machinery	12.5% p.a
Office Equipment and Furniture	12.5% p.a
Motor Vehicles	25% p.a
Workshop Tools	33.5% p.a
Investments (Leader Hse & Maisonnets)	4% p.a
Computers	33.5% p.a

**(di) Depreciation and impairment of property, plant and equipment**

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

**(e) Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually of costs incurred to acquire and bring over three years. However, the company did not incur such expenses in the year under au

**(f) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**(g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

**(h) Finance and operating leases**

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. The Company did not acquire any asset under lease during the year under review.

**(i) Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning traded at the Nairobi Securities Exchange. The bonds are interest income upon the bond's disposal or maturity. Fixed interest investments are freely measured at fair value through profit or loss. The company did not trade in any interest investments during the year under review.

**(j) Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value. The company did not trade in any interest investments during the year under review.

**(k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities. The company did not trade in any interest investments during the year under review.

**(l) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

**(m) Trade and other receivables**

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

**(n) Taxation****Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and the carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the or same taxable entity and the same taxation authority.

**(o) Cash and cash equivalents**

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

**(p) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable on settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project. However, there were no such borrowings within the year under review.

**(q) Trade and other payables**

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

**(r) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently a tKsh. 200. per employee per month.

**(s) Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date. However, no provision is made in the year under review since all leave pay is paid in the same year it is earned.

**(t) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**(u) Budget information**

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

**(v) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**(w) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

**5 Significant Judgements and Sources of Estimation Uncertainty**

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

Provisions were raised and management did not see the need to make a father provision since the current debtors are active. Additional disclosure of these estimates of provisions is included in Note 5.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**6 EARNINGS PER SHARE**

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year under review. However, no dividends were declared during the year under review.

**7 DIVIDEND PER SHARE**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). However, no dividends were declared during the year under review.

**8 REVALUATION RESERVE**

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

**9 FAIR VALUE ADJUSTMENT RESERVE**

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss. However, there were no such transactions during the financial year under review.

**10 RETAINED EARNINGS**

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the entity's business activities.

## MWEA RICE MILLS LIMITED

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2017

### 2. PROPERTY, PLANT & EQUIPMENT

	BUILDINGS KSHS.	PLANT & MACHINERY KSHS.	WORKSHOP TOOLS KSHS.	SEWERAGE DISPOSAL KSHS.	MOTOR VEHICLES KSHS.	FURNITURE & EQUIPMENT KSHS.	COMPUTERS KSHS.	LAND KSHS.	TOTAL KSHS.
<b>COST:</b>									
AS AT 01.07.2015	13,016,330	157,887,131	202,461	2,080,313	3,874,112	1,308,022	2,504,952.40	280,000	178,648,369
ADDITIONS	-	15,000	-	-	1,894,112	434,405.00	-	-	2,954,357
DISPOSAL	-	-	-	-	1,894,112	-	-	-	1,894,112
<b>AS AT 30.06.2016</b>	<b>13,016,330</b>	<b>157,902,131</b>	<b>202,461</b>	<b>2,080,313</b>	<b>1,980,000</b>	<b>1,742,427</b>	<b>2,504,952</b>	<b>280,000</b>	<b>179,708,614</b>
<b>DEPRECIATION:</b>									
AS AT 01.07.2015	9,678,841	116,394,527	202,433	-	3,391,744	1,156,336	-	-	130,823,881
CHARGE FOR THE YEAR	148,223	4,592,236	4	-	156,624	107,008	602,294.22	-	5,606,389
ELIMINATION OF ACCM.	-	-	-	-	1,885,782	-	-	-	1,885,782.00
DEP. ON DISPOSALS	-	-	-	-	4,165	-	-	-	4,165.00
CHARGE ON DISPOSALS	-	-	-	-	-	-	-	-	-
<b>AS AT 30.06.2016</b>	<b>9,827,064</b>	<b>120,986,763</b>	<b>202,437</b>	<b>-</b>	<b>1,666,751</b>	<b>1,263,344</b>	<b>602,294.22</b>	<b>-</b>	<b>134,548,653</b>
<b>N.B.V 30.06.2016</b>	<b>3,189,266</b>	<b>36,915,368</b>	<b>24</b>	<b>2,080,313</b>	<b>313,249</b>	<b>479,083</b>	<b>1,902,658.18</b>	<b>280,000</b>	<b>45,159,961</b>
<b>COST:</b>									
AS AT 01.07.2016	13,016,330	157,902,131	202,461	2,080,313	1,980,000	1,742,427	2,504,952.40	280,000	179,708,614
ADDITIONS	-	61,132	-	-	-	-	100,000	-	161,132
DISPOSAL	-	-	-	-	-	-	-	-	-
<b>AS AT 30.06.2017</b>	<b>13,016,330</b>	<b>157,963,263</b>	<b>202,461</b>	<b>2,080,313</b>	<b>1,980,000</b>	<b>1,742,427</b>	<b>2,604,952</b>	<b>280,000</b>	<b>179,869,746</b>
<b>DEPRECIATION:</b>									
AS AT 01.07.2016	9,827,064	120,986,763	202,437	-	1,666,751	1,263,344	602,294.22	-	134,548,653
CHARGE FOR THE YEAR	148,223	4,597,643	4	-	156,624	166,470	837,392	-	5,906,356
ELIMINATION OF ACCM.	-	-	-	-	-	-	-	-	-
DEP. ON DISPOSALS	-	-	-	-	-	-	-	-	-
<b>AS AT 30.06.2016</b>	<b>9,975,287</b>	<b>125,584,406</b>	<b>202,441</b>	<b>-</b>	<b>1,823,375</b>	<b>1,429,814</b>	<b>1,439,686</b>	<b>-</b>	<b>140,455,009</b>
<b>NET BOOK VALUE:</b>									
AS AT 30.06.2017	3,041,043	32,378,857	20	2,080,313	156,625	312,613	1,165,266	280,000	39,414,737
AS AT 30.06.2016	3,189,266	36,915,368	24	2,080,313	313,249	479,083	1,902,658	280,000	45,159,961

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2017**

**3 INVESTMENT PROPERTY**

	2016/2017	2015/2016
	KSHS	KSHS
<b>Cost/Revaluation</b>		
As at 1st July 2015	183,500,000	183,500,000
<b>Revaluation</b>		
As at 30th June 2016	<b>183,500,000</b>	<b>183,500,000</b>
<b>Depreciation</b>		
As at 1st July 2015	58,608,670	51,449,903
Revaluation	6,585,358	6,585,358
Charge for the year	573,409	573,409
As at 30th June 2016	<b>63,662,067</b>	<b>58,608,670</b>
<b>N.B.V as at 30th June 2016</b>	<b><u>119,837,933</u></b>	<b><u>124,891,330</u></b>
<b>Cost/Revaluation</b>		
As at 1st July 2016	183,500,000	183,500,000
<b>Revaluation</b>		
As at 30th June 2017	<b>183,500,000</b>	<b>183,500,000</b>
<b>Depreciation</b>		
As at 1st July 2016	63,662,067	58,608,670
Charge for the year on revaluation	5,053,397	5,053,397
As at 30 <sup>th</sup> June 2017	<b>68,715,464</b>	<b>63,662,067</b>
<b>N.B.V as at 30<sup>th</sup> June 2017</b>	<b><u>114,784,536</u></b>	<b><u>119,837,933</u></b>
<b>N.B.V as at 30th June 2016</b>	<b><u>119,837,933</u></b>	<b><u>124,891,330</u></b>

Revaluation of Maisonettes & Leader house was done in June 2009 by the office of Commissioner of Lands

**4 INVENTORIES**

	2016/2017	2015/2016
	KSHS	KSHS
Spare parts	15,542,285	16,646,789
Bags and packing materials	2,645,308	3,221,548
General store	152,954	153,574
Rice paddy	25,846,800	38,110,800
Milled Rice	5,032,920	2,422,560
Stationery Store	59,217	59,709
	<b><u>49,279,483</u></b>	<b><u>60,614,979</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2017**

	2016/2017	2015/2016
	KSHS	KSHS
<b>5 TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	25,535,131	16,994,335
Staff debtors	44,475	30,792
Interest from Bank receivable	3,606,821	3,606,821
Refundable deposits	80,920	80,920
Continental Credit Finance (under receivership)	16,815,053	16,815,053
	<u>46,082,400</u>	<u>37,527,921</u>
 <b>LESS PROVISION FOR DOUBTFUL DEBTS</b>		
Provision on interest from deposits	3,606,821	3,606,821
Provision on trade debtors	18,712	18,712
Provision on Continental Credit Finance	16,815,053	16,815,053
	<u>20,440,586</u>	<u>20,440,586</u>
	<u>25,641,814</u>	<u>17,087,335</u>

The non current deposits were deposited with Continental Credit Finance Limited which has since been placed under receivership  
The recovery of the deposits still remain uncertain

Other Receivables includes KRA and Continental Credit Finance

	2016/2017	2015/2016
	KSHS	KSHS
<b>6 CASH &amp; CASH EQUIVALENT</b>		
BBK QUEENSWAY (NBI) A/C 0945035838	29,495,493	11,909,587
BBK (EMBU) A/C 1189193	8,095	22,313
KCB Wanguru A/C 1103971387	37,129,796	44,046,191
Cash in hand - factory imprest	765,885	736,713
	<u>67,399,269</u>	<u>56,714,803</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

<b>7 TAXATION (KRA)</b>	<b>2016/2017</b>	<b>2015/2016</b>
	<b>KSHS</b>	<b>KSHS</b>
Balance brought forward	<u>(1,952,021.00)</u>	<u>(1,952,021.00)</u>
Balance carried forward	<u>(1,952,021.00)</u>	<u>(1,952,021.00)</u>

Since the tax of ksh.8,784,785 was calculated and agreed by the tax consultant and KRA, the amount was transferred to the debtors' account. However the balance to date is Ksh. 1,952,021.

<b>8 SHARE CAPITAL</b>	<b>2016/2017</b>	<b>2015/2016</b>
	<b>KSHS</b>	<b>KSHS</b>
Authorised and fully paid 250,000 ordinary shares of Kshs 20/= each. The shareholding is as follows :	5,000,000	5,000,000
National irrigation Board - 55%		
Mwea Rice Mills Ltd - 45%		

**9 GENERAL RESERVE**

The Company used to transfer part of its profits made to the general Reserve and would utilise such reserves to pay dividends when the Company made losses. An amount of Kshs 8,700,000.00 remains unutilized to-date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2017**

<b>10 REVALUATION RESERVE</b>	<b>2016/2017</b>	<b>2015/2016</b>
	<b>KSHS</b>	<b>KSHS</b>
Revaluation of Maisonettes	86,560,887	90,168,008
Revaluation of Leader House	32,971,485	34,405,028
Depreciation of Revalued assets	<u>(5,040,664)</u>	<u>(5,040,664)</u>
Net book Value	<u>114,491,708</u>	<u>119,532,372</u>

**11 ACCUMULATED PROFIT/(LOSS)**

	<b>2016/2017</b>	<b>2015/2016</b>
	<b>KSHS</b>	<b>KSHS</b>
Balance b/f	51,561,484	49,983,650
Profit/( loss) for the year	<u>1,003,870</u>	<u>1,577,834</u>
Balance c/f	<u>52,565,354</u>	<u>51,561,484</u>

**12 CAPITAL FUND FOR MILL REHABILITATION**

Capital Fund Ksh 52,610,534 00 for mill rehabilitation is a levy based on kilograms of rice milled for the National Irrigation Board by Mwea Rice Mills. The levy was to be used for rehabilitating the mills. The Board has since shed off non-core functions like processing and marketing of rice and therefore, the levy is no longer chargeable.

**13 NON- CURRENT LIABILITY**

	2016/2017 KSHS	2015/2016 KSHS
Government proposed levy **	<u>22,037,370</u>	<u>22,037,370</u>
	<u><b>22,037,370</b></u>	<u><b>22,037,370</b></u>

Government Proposed levy was a levy imposed on Mwea Rice Mills Ltd to be paid to the National Irrigation Board. The levy was to help the Board meet the Development Loan Principal and Interest Repayments. However, the levy was stopped in 1988 when the National Irrigation Board started marketing rice.

**14 TRADE AND OTHER PAYABLES**

	2016/2017 KSHS	2015/2016 KSHS
Audit fees provision	696,000	348,000
Tax provision	1,651,386	1,221,156
NIB current account (Inter-company - Creditors)	40,410,431	38,632,670
Trade	<u>309,077</u>	<u>1,723,445</u>
	<u><b>43,066,895</b></u>	<u><b>41,925,271</b></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

<b>15 TURNOVER</b>	<b>2016/2017</b>	<b>2015/2016</b>
	<b>KSHS</b>	<b>KSHS</b>
Basmati paddy sales	3,360	7,558,460
Broken rice sales	1,106,780	241,600
Basmati packets sales	22,897,872	12,123,760
Bran meal sales	5,143,749	7,096,419
Chicken feed sales	967,600	1,008,735
Milling Income	17,952,796	22,855,222
	<u>48,072,156</u>	<u>50,884,196</u>

<b>16 COST OF SALES</b>	<b>2016/2017</b>	<b>2015/2016</b>
	<b>KSHS</b>	<b>KSHS</b>
Paddy to mills	12,083,242	19,534,643
Salaries and Wages- Casuals	6,432,468	5,835,300
Salaries and Wages- Production/ Overtime	362,993	348,958
Electricity	7,317,504	10,040,459
Buildings mtce -General	539,259	533,945
Buildings mtce - Stores	121,093	96,440
Depreciation - Buildings	148,223	148,223
P & M Maintenance - miscellaneous	928,089	1,061,207
Depreciation - Equipment	4,597,643	4,592,236
Bags and Packing materials	1,123,728	397,412
P & M Maintenance - mill 5	2,547,204	504,935
P & M Maintenance - mill 6	1,163,302	751,792
Basmati white rice purchases	3,061,408	-
	<u>40,426,155</u>	<u>43,845,548</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

<b>17 OTHER INCOME</b>	<b>2016/2017 KSHS</b>	<b>2015/2016 KSHS</b>
Rental Income	1,955,950	2,670,870
Miscellaneous Income	211,792	1,124,392
Interest Income	5,000	1,650,048
Storage Income	1,275,000	1,675,748
	<u>3,447,742</u>	<u>7,121,058</u>
<b>18 INVESTMENT INCOME</b>	<b>2016/2017 KSHS</b>	<b>2015/2016 KSHS</b>
Gross Income	<u>7,738,796</u>	<u>7,763,796</u>
	<u>7,738,796</u>	<u>7,763,796</u>
<b>19 ADMINISTRATION EXPENSES</b>	<b>2016/2017 KSHS</b>	<b>2015/2016 KSHS</b>
<b>(a) Staff costs</b>		
Salaries and Wages- Regular	3,095,073	3,298,149
Medical Expenses	31,796	29,999
House allowance	227,500	240,000
Leave & transfer allowance	73,340	80,845
Salaries & Wages-Gratuity	255,046	348,757
NSSF	30,200	31,200
sub-total	<u>3,712,955</u>	<u>4,028,950</u>
<b>(b) Administrative costs</b>		
Printing and Stationery	1,056,182	215,322
Travelling Expenses	3,318,189	3,282,046
Telephone, Postages and Sundries	217,900	475,855
Building mtce- offices	46,994	182,518
Legal & Professional fees/consultancy	185,600	232,000
Audit fees	348,000	385,120
Security services	1,509,089	2,440,961
Licences	31,900	100,600
Administration & accountancy fee	1,777,761	1,973,071
Computer expenses	54,000	467,596
Motor vehicle Mtce.	491,173	301,842
Buildings mtce - Staff houses	142,834	160,042
Uniforms	75,000	49,446
Buildings mtce - Leader houses	1,867,426	-
Buildings mtce - massionettes	-	1,796,878
Bank charges	85,944	94,382
sub-total	<u>11,207,991</u>	<u>12,157,680</u>
<b>Total</b>	<u>14,920,946</u>	<u>16,186,630</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

<b>20 OTHER EXPENSES</b>	<b>2016/2017</b>	<b>2015/2016</b>
	<b>KSHS</b>	<b>KSHS</b>
Depreciation on Vehicles	156,624	160,788
Office Tea	163,429	171,953
Subscriptions and Periodicals	100,440	113,020
Water Charges	-	11,364
Bicycles mtce	7,200	10,800
Furniture & Fittings -depreciation	166,470	107,008
Marketing	73,900	461,000
General repairs & mtce	620	678
Depreciation on Computer & Accessories	837,392	602,294
Oils & Grease	5,825	-
Diesel	607,656	516,735
Depreciation (Maiso & Leader Hs)	12,733	12,733
Sewarage(Workshop)Depreciation	4	4
Rates	-	834,996
Tax Liability	-	471,117
Loss on disposal of assets	-	8,330
<b>Total</b>	<b><u>2,132,293</u></b>	<b><u>3,482,821</u></b>

<b>21 DEPRECIATION CHARGE FOR THE YEAR</b>	<b>2016/2017</b>	<b>2015/2016</b>
	<b>KSHS</b>	<b>KSHS</b>
Fixed Assets Movement schedule	5,906,356	5,606,389
Charge on Leader hse.	12,733	12,733
Charge on disposals	-	4,165
	<b><u>5,919,089</u></b>	<b><u>5,623,288</u></b>

<b>22 BOARD MEMBERS EXPENSES</b>	<b>2016/2017</b>	<b>2015/2016</b>
	<b>(KSHS)</b>	<b>(KSHS)</b>
Sitting Allowance	210,000	-
Accomodation allowance	40,000	-
Travel Expenses	13,200	-
Lunch Allowance	82,000	-
<b>Total</b>	<b><u>345,200</u></b>	<b><u>-</u></b>

**23 RELATED PARTY TRANSACTIONS**

(a) National irrigation board owns 55 % shares in Mwea Rice Mills. The other 45 % is owned by Mwea farmers. there is an agreement between NIB and farmers for the former to provide administrative and accountancy services, after which NIB charges for the same at the rate of 3% of the gross revenue for the year.

(b) The Company's board of directors and the management did not have any related party transactions with the company within the year under audit. However, there are some transactions between the Company and the NIB. as shown in note 13.

