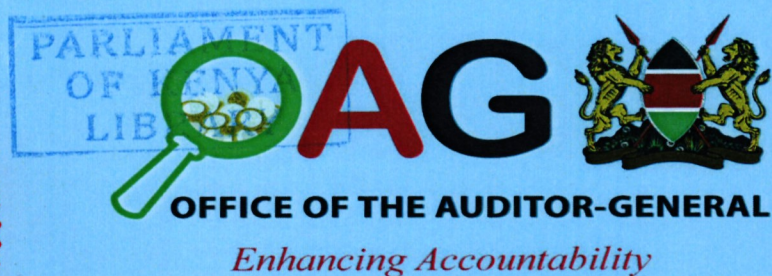


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY PADDIC I AID	
DATE: 15 FEB 2023	DAY: Wed
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THE AUDITOR-GENERAL

ON

MWEA RICE MILLS LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2021**



MWEA
RICE MILLS
LIMITED



MWEA RICE MILLS LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

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1. KEY ENTITY INFORMATION

Background

Mwea Rice Mills Ltd. (MRM) is a limited liability company owned by National irrigation Authority (55%) and the Mwea Rice Growers Multipurpose Co-operative Society Limited (45%). The Company was incorporated in 1993 under the Companies Act, CAP 486 (now repealed and substituted with Companies Act 2015)

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.

Mwea Rice Mills Limited

Annual Reports and Financial Statements
For the year ended June 30,2021.

KEY ENTITY INFORMATION (Continued)

Directors

Hon. Eng. Joshua N. Toro	Chairman	Appointed on 03/05/2019
Mr. Gitonga Mugambi	Managing Director	Appointed on 01/08/2017
Mr. Harrisson Mutugi	Vice Chairman MRGM	Appointed on 01/05/2008
Mr Ndege Muiruki	Chairman MRGM	Appointed on 30/10/2019
Mr. Aboud Moeva	Alternative representative to PS, State Department of Irrigation, Ministry of Water Sanitation and Irrigation	Appointed on 14/12/2018
Mr. Peter Waweru	Inspectorate of State Corporations	Appointed on 01/06/2018
Mr. Charles Kairu	Alternative representative to CS, National Treasury	Appointed on 14/10/2015

Corporate Secretary

Ms. Nancy Wambugu
Ag. Company Secretary
P.O. Box 30372 – 00100
Nairobi

Factory

Wang'uru
P.O. Box 80
WANGURU

Corporate Contacts

Telephone: (254) 0711 061 000
E-mail: Ceo@irrigation.go.ke
Website: [www.irrigation](http://www.irrigation.go.ke) .go.ke

Mwea Rice Mills Limited

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Corporate Headquarters

Head Office
Unyunyizi House - Building
Lenana Road
P.O. Box 30372-00100

Corporate Bankers

- i. ABSA Bank Ltd
Queensway house
P.O. Box 30011
NAIROBI.
- ii. Kenya Commercial Bank
P.O. Box 393
WANGURU.

Independent Auditors

Auditor General – Kenya
Office of the Auditor General
P.O Box 30084-00100
NAIROBI, KENYA

Principal Legal Advisers

The Attorney General
State Law Office
Harambee Avenue
P O BOX 40112
City Square 00200
NAIROBI, KENYA

2. BOARD OF DIRECTORS

The directors who served the entity during the year are listed under pages' VI to X.



HON. ENG. JOSHUA N. TORO- CHAIRMAN.

Hon. Eng. Joshua Ngugi Toro was appointed as the Chairman of NIA Board of Directors on May 3, 2019 via the Kenya Gazette special issue Vol. CXXI.56. He holds Bachelor of Science Degree in Mechanical Engineering from the University of Nairobi. He is a registered Engineer by Engineers Registration Board and a member of the Institution of Engineers of Kenya.

His Engineering career started immediately after graduating in 1977 at Kenya Railways Corporation (KRC). While at KRC, he was seconded to the Union of African Railways Headquarters in Kinshasa, Democratic Republic of Congo as Head of Engineering between 1989 and 1992. The Union is a specialized agency of the African Union (AU) responsible for the promotion of railway network interconnection and transportation of goods and passengers within African Countries. As Head of Engineering, he was responsible for research and feasibility studies, policy development for acquisition, design, renewal and standardization of rolling stock and equipment and evolution of maintenance standards for the members' railways. He was accorded Diplomatic status by the Government of Kenya during this period (1989 to 1992).

Hon. Eng. Toro served as a Member of Parliament for Kandara Constituency for ten (10) years from 1997 to 2007. H.E Mwai Kibaki, who was the Official Leader of Opposition then, appointed him shadow Minister for Roads, Public Works and Housing in parliament for five (5) years between 1997 and 2002. He also served as the vice chairman of the Parliamentary Committee for Labour, Health, Housing and Social Welfare between 1997 and 2002.

	<p>He was appointed by the then President H.E Mwai Kibaki as an Assistant Minister for Roads, Public Works and Housing for five (5) years between 2003 and 2007. While in Parliament, he served as Member of African Parliamentarians Network Against Corruption (APNAC) which is affiliated to the Global Organization of Parliamentarians Against Corruption between 1997 and 2009.</p> <p>Hon. Eng. Toro was one of the pioneer members of the Board of Directors of Kenya National Highways Authority (KeNHA) that established it from scratch to the current formidable organization it is today. He was a Board member at KeNHA for five (5) years between 2008 and 2012 where he also served as the chairman of the Board's Technical committee alongside being a member of the Audit and the Procurement Oversight Committees.</p> <p>His background in Engineering and experience in the various leadership roles will help him lead NIA in implementing its mandate so as to effect and promote the Government's Big 4 Agenda on Food Security and Nutrition.</p>
	<p>MR. GITONGA MUGAMBI – MANAGING DIRECTOR.</p> <p>Mr. Gitonga Mugambi was appointed the Chief Executive Officer of National Irrigation Authority on 1st August 2017. He is also the Managing Director of the Company by virtue of him being the Chief Executive Officer of the National Irrigation Authority. 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 Western Kenya Rice Mills Ltd.</p>

	<p>MR. HARRISSON MUTUGI MATHINDI, NON- EXECUTIVE DIRECTOR</p> <p>Mr. Harrison Mutugi Mathindi joined the Company’s Board in May 2008. He sits on the Board by virtue of being a Director of Mwea Rice Growers Multi-Purpose Cooperative Society (MRGM) director.</p> <p>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 1976 to 1998. Mr. Mutugi brings vast knowledge, experience and leadership gained from the expansive Mwea rice growing region.</p> <p>His current occupation is commercial rice farming.</p>
	<p>MR NDEGE MURIUKI - NON- EXECUTIVE DIRECTOR</p> <p>Mr. Ndege Muriuki joined the Authority on 30th October 2019. He sits on the Board by virtue of being the Chairman of Mwea Rice Growers Multi-Purpose Cooperative Society (MRGM). He is a Rice Farmer</p> <p>He is a long serving member of the MRGM having joined in 14th March 2003, a position he continues to hold up to date. He has previously worked as an accountant at Harambee Sacco as well as a Secretary manager at Mwea Amalgamated Rice Growers Cooperative Society Ltd which is a predecessor of MRGM</p>



MR. ABOUD MOEVA, ALTERNATE REPRESENTATIVE OF THE PRINCIPAL SECRETARY, DIRECTORATE OF IRRIGATION, MINISTRY OF WATER, SANITATION AND IRRIGATION.

Mr. Moeva was appointed to the Board on December 14, 2018. He is a holder of a Master in Business Administration (MBA) Degree in Strategic Management and a Bachelor's Degree in General Agriculture both from the University of Nairobi.

He possesses vast expertise in Agriculture and is an Agriculturalist/Community mobilizer as well as acquiring an extensive professional profile of 21 years' experience in management of Irrigation development. He has done several professional courses such as Irrigation Project Preparation Course, Ministry of Agriculture (1989), Farmers Organization and Development, Ministry of Agriculture (1989) and Smallholder Irrigation Promotion Course, Tsukuba International Center-Japan (1999) among others.

He currently holds office as the Director of Irrigation Water Management and has previously held several responsibilities including: Head of Planning, Monitoring and Information Management-Ministry of Water and Irrigation, Head of Budget and Project Coordination Branch-Ministry of Agriculture, District Agricultural Officer-Lamu district among others.



MR. PETER WAWERU – INSPECTORATE OF STATE CORPORATIONS

Mr. Waweru joined the Board in June 2018 representing Inspector General (Corporations). He holds a Master of Business Administration Degree (Marketing option) and Bachelor of Commerce Degree (Accounting option). His current position is Deputy Inspector General (Corporations). He has served in various capacities including being a Town Clerk in the defunct Local Authorities.



MR. CHARLES KAIRU – ALTERNATE REPRESENTATIVE TO CABINET SECRETARY, NATIONAL TREASURY NON-EXECUTIVE DIRECTOR

Mr. Charles Kairu was appointed to the Board on 14th October 2015 as alternate Director to the Principal Secretary, National Treasury. He is holder of a Master Degree in Development Economics from Williams College, USA and a Bachelor’s 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.

3. MANAGEMENT TEAM

The Management team comprises of the Chief Executive Officer and top management as follows:

	<p><i>Mr. Gitonga Mugambi, - Chief Executive Officer.</i></p> <p>Mr. Gitonga Mugambi was appointed the Chief Executive Officer of National Irrigation Authority on 1st August 2017. 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 Authority.</p>
	<p><i>Mr. Daniel Atula Masatia, - Deputy General Manager – Operation and Irrigation Management Services.</i></p> <p>Mr. Daniel Atula Masatia was appointed to the post of Deputy General Manager Operations of National Irrigation Authority 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.</p>



Nancy M. Wambugu, Head of ICT & Ag Company Secretary.

Nancy is currently the Head of ICT Services and Acting Company Secretary at National Irrigation Authority. She has over 13 years of experience in ICT Infrastructure operations, Information Security and Innovations in both private and public sectors. She is a holder of BSC, Information Technology, and currently undertaking MSC Information Security at Strathmore University. She also holds a Diploma in Computer Studies, CCNP, A+ and N+ Certifications. Her immersive contribution in ICT Service delivery in the Public Service has seen her awarded a Certificate of Excellence in Public Sector Innovation, 2011 Edition, by the Head of Public Sector in Kenya. She has greatly contributed to the transformation of National Irrigation Authority in digitization and automation processes.



JEDIDAH N. ODUORI, HEAD OF FINANCE

Jedidah was appointed acting Head of Finance on June 6, 2018. Prior to this appointment, she had served in various capacities within the Finance and Audit departments of the Authority both at the Head Office and in the Western Kenya Schemes. She has a Master in Business Administration and Strategic Management degree from Daystar University, A Bachelor of Commerce (Accounting option) degree from Punjab University, India, CPA II and currently pursuing CPA III. She has over 21 years of experience in audit and finance. Having diverse experience in the finance and audit sections, she brings in a lot of expertise to the Authority.

4. CHAIRMAN'S STATEMENT

The financial year 2020/2021 witnessed a remarkable improvement of the Mwea Rice Mill Ltd. on its social and financial status. During the year, the company was able to disentangle itself from its financial quagmires of 2018/2019. The result continued to haunt the succeeding financial year (2020/21).

The company however, has not been able to realize optimum revenue from her investment sector owing to the court cases that were ongoing between the property manager and the tenants. These court cases have now ended and, the investment sector income is expected to improve.

What is important now is to keep on exploiting new business opportunities for the company and safeguarding what has already been achieved through quarterly monitoring of her performances. The intention is to ensure that the company does not lose track on already improved areas while at the same time continue focusing on future business opportunities which can be tapped for revenue maximization thereby, increasing the shareholders wealth.

The future of the company is bright owing to the changes we have and continue to put in place for the holistic improvement of the company and enhancement of the shareholder's wealth.

In conclusion, I am grateful for the support received from my fellow directors, management and the members of staff at large. Finally, I take this opportunity to express my gratitude to all our customers, business partners, employees and stakeholders who have shown their trust in us and have extended their constant support.



Sign: Date: 31/05/2022

Hon. ENG. JOSHUA N. TORO

CHAIRMAN OF THE BOARD

5. REPORT OF THE MANAGING DIRECTOR.

The positioning of Mwea Rice Mills offers it an opportunity to excel regionally in execution of its core business despite the stiff competition from other players in the rice-milling sector.

We are optimistic that the company's future is bright owing to several measures that we have continued to put in place. For instance, during the year we were able to computerize the company's financial system through ERP package. Also computerized through ERP was its stores system. These systems have greatly assisted the management in monitoring the financial performance of the company. This financial year has shown that with proper management, the company can reclaim its dominance in the rice-milling sector. It is worth noting that, this year the company was able to have excess liquid cash of Kshs.25Millions after meeting all its financial obligations. This will no doubt act as impetus to the management to exploit various business opportunities that can be used to increase the shareholders wealth.

As we look into the future, we will ensure that we grow business with our customers by maintaining our tradition in delivering customer value and the experience of superior quality services. We will understand the changing consumer behavior and create convenience in business as well as ensure quality product and service are offered at all times.


Further, it is our obligation to ensure that the shareholders wealth is maximized in order for them to have good return on their investment. This is our cardinal duty as the management.

It is important to note that, MRM has delivered more human welfare benefits in ways not directly captured in the audited financial reports. We have improved community welfare through stable prices and provision of local employment both directly and indirectly.

Lastly, I am grateful for the unwavering support of all our shareholders. I also take this opportunity to appreciate the Board of Directors, management and employees who have performed beyond expectations to ensure that we continue to deliver quality service on time, in full and in line with our core values.

Mwea Rice Mills Limited

Annual Reports and Financial Statements
For the year ended June 30,2021.

Sign:  Date: 31/05/2022

MR. GITONGA MUGAMBI

MANAGING DIRECTOR

Mwea Rice Mills Limited

Annual Reports and Financial Statements
For the year ended June 30,2021.

**6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2020/2021**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

During the financial year under review, MRM Ltd. did not have a running strategic plan. However, there was a work plan, which guided the performance of the company during the financial year 2020/2021.

7. CORPORATE GOVERNANCE STATEMENT

Overview

Mwea Rice Mills Ltd is committed to the highest standard of corporate governance. Our policy is to set best practice standards in product and service quality, as well as fair conduct towards our employees, suppliers and customers. In recognizing its responsibilities of good Citizenship Mwea Rice Mills Limited particularly emphasizes on issues of social welfare, environmental care and principles of integrity.

Composition of the board

The Board of Directors of Mwea Rice Mills Ltd comprises of seven (7) directors namely;

- i. The Chairman (Chairman - National Irrigation Authority)
- ii. Managing Director (Chief Executive Officer - National Irrigation Authority)
- iii. Two Directors from Mwea Rice Growers Multi-cooperative society Ltd.
- iv. Alternate Representative to Cabinet Secretary, National Treasury
- v. Alternate Representative to Principal Secretary, State Department of Irrigation, Ministry of Water, Sanitation and Irrigation
- vi. Inspectorate of State Corporations

The composition of the Board is in line with good corporate governance practices that has the role of the Chairman and the Managing Director segregated.

The role of the board

The Board of Directors is responsible for the long term strategic direction of the company which is aimed at sustainable value creation to maintain a profitable growth, and at the same time upholding high standards of corporate governance and business ethics.

The Board is also responsible for the following:

- i. Oversee the Company, including providing leadership and setting its objectives.

- ii. Represent and serve the interests of shareholders by overseeing and appraising company's strategies, policies and performance.
- iii. Approve and monitor the progress of major capital expenditure.
- iv. Approve budgets.
- v. Approve and monitor systems of risk management, internal control, codes of conduct accountability and legal compliance to ensure appropriate compliance framework and controls are in place.
- vi. Approve and monitor the corporate, financial and other reporting systems of Mwea Rice Mills Limited including external audit and oversee their integrity;
- vii. Adopt appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards.

Board meetings

The Board of Mwea Rice Mills Limited has four scheduled meetings per year; the meetings are held in every quarter of the year. In these meetings the Board reviews the company's performance against the planned strategies and also approve issues of strategic nature. In the period under review, the board met four times.

Directors' Remuneration

The remuneration for directors consists of sitting allowances in connection with attendance at Board and committee meetings.

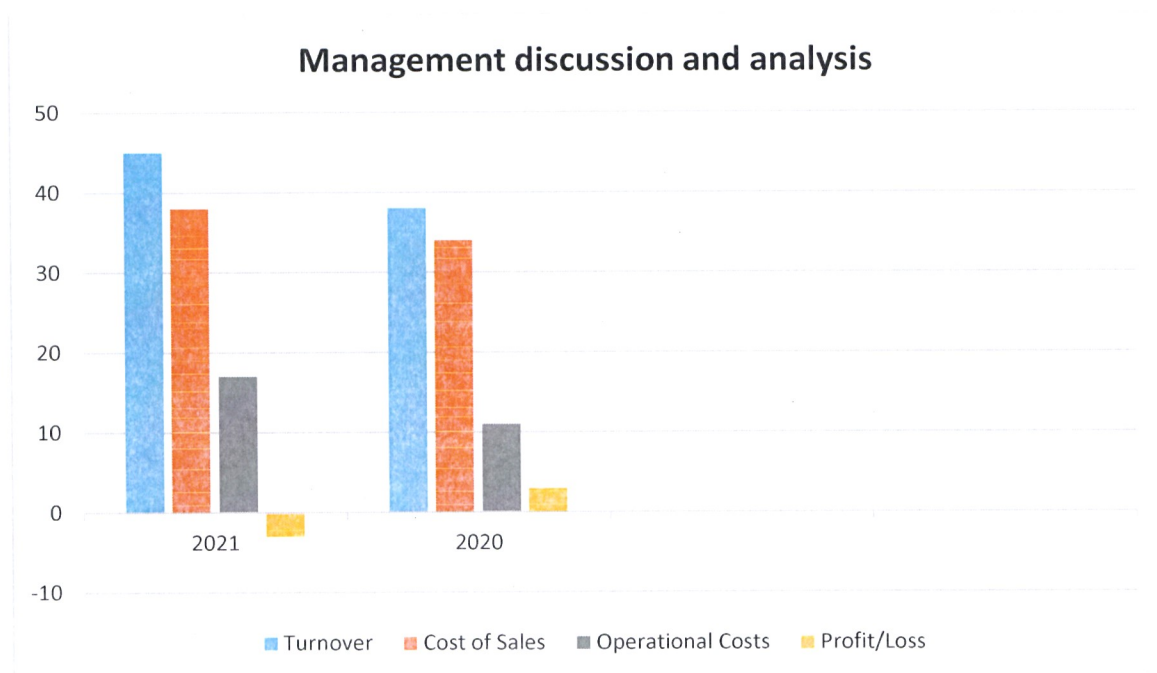
Communication with stakeholders

Mwea Rice Mills Limited has in place an internal Communication and Corporate Disclosure Policy that sets out the standards of communication to be expected of the Company by its Shareholders; ensures that the Board proactively supplies relevant information to Stakeholders; and aims to enhance transparency and disclosure.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Company's turnover increased from Kshs. 38,987,215 to Ksh. 49,842,870 in the current year under review. This represents 28 % increase when compared with the previous year. On the other hand, cost of sales increased from Ksh. 34,880,515 in the previous year to Ksh 35,799,187 in the current year under review, representing 3% increase. Further, the operational costs increased from Ksh. 11,434,063 in the previous year to Ksh. 17,649,885 in the current year under review, representing 54 % increase. As indicated in the chart that the profits for the year reduced from a profit of Ksh. 3,387,813 to a loss of Ksh. 2,442,038 representing 28 % decrease in profits. This information is highlighted, in the form of a bar chart below.

Figure 1: Y Axis represents Ksh. In Millions



9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Mwea Rice Mills Co. Ltd. Exists to transform lives. This is our purpose: the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on MRM pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is the brief highlight of our achievements in each pillar;

1. Sustainability Strategy and Profile

Mwea Rice Mills was incorporated in 1967 with the sole objective of milling and marketing of paddy produced in Mwea Irrigation Scheme. Between 1967 and 1997, the company enjoyed monopolistic business. Therefore, the company`s existence was automatically guaranteed due the lack of business competition. The company used to mill and market the National Irrigation Authority`s (then National Irrigation Board) paddy to the government institutions and business people which enabled it to get high income from its milling activities.

In 1997, Mwea Irrigation Scheme (MIS) farmers agitated for a liberalized market through which they could sell their produce thus, detaching themselves from the services that were offered to them by the Authority. This resulted to private millers coming into the milling business. Such millers were Mwea Rice Growers Multipurpose, Nice Millers, and RIA Millers among others. Due to this, the company was faced with tough competition from those rice millers making its sustainability uncertain. This pushed the MRM management to restructure the activities and human labour in the year 2000.

Several measures were put in place in order to embrace customers from private sector who would bring paddy for milling. This saw a new revival of MRM. Customers started delivering their paddy for milling in MRM. As a result, the company`s profitability ratio started showing an upward trend. Today, the company due to its strategic position is offering the best milling services to its customers as compared to its competitors.

During the last financial year 2019/2020 the company was able to establish a profit of Kshs.5M after tax besides meeting its financial obligations over the period. The management has instituted several measures intended for upgrading its net profit after tax. Such measures include;

- i. First tracking the marketing of customer's rice through organized organs such as customer's co-operative. This will make more customers to come to MRM for milling and marketing services.
- ii. Introduced check and balances in the organization in order to safeguard customer's paddy which made some other millers to seek milling services from MRM e.g. MRGM. This in no doubt will impact positively on the sustainability of the company.
- iii. The macroeconomic measures undertaken in 2020 will start bearing fruits in the years to come where the profitability index is expected to be enhanced.

2. Environmental Performance

MRM as a company started taking care of environment way back in its inception (1967). During rice milling, rice husks which was waste would impact negatively on the environment. The company bought land on which rice husk would be disposed of and burnt down. (See MRM environment policy attached)

Below are the outlined successes for the policy;

- i. The company was able to dispose of all of its husk into its own land whereby it was burnt to ashes. However, recently in collaboration with Research Centre, rice husk has been found useful in cement manufacturing industries and preparation of bio char for customer use. It can now be sold at a profit.
- ii. The advantage of tree cover cannot be over emphasized as it increases the amount of rainfall and prevents soil degradation.
- iii. Boost employees and customer's morale because of the good environment and fresh air within MRM compound.

In order to take care of the environment, MRM shall among other things ensure that;

- i. Rice husk shall be disposed of appropriately without causing environmental hazard to the public.
- ii. Employees and customers of the company will work in clean and safe environment.

- iii. Trees will be planted in all unutilized land that belong to the company in order to boost the country`s forest cover by 10% as required by the government.
- iv. There shall be a continuous check of any material/materials that may impact negatively to the public and environment in general. In case of any such materials, remedial action shall be taken.
- v. There is full collaboration between the Company and the Ministry of Environment and Forestry in matters pertaining to the environment.

3. Employee Welfare

- i. MRM being a subsidiary of the National Irrigation Authority and a shareholding by the farmers` Cooperatives, its employees have the National face with youth and gender representation equally taken care of. Close to 90% of casual staff are drawn from the farming communities and the farmers` cooperative in order to give them a sense of belonging and ownership whereas the senior management is overseen by staff from the Authority who are recruited competitively and on merit as per the National Irrigation Authority HR regulations.
- ii. MRM has managed to keep her technical and supervisory level of staff for long and this has enabled the company to undertake and keep to an attainable level of its repairs and maintenance costs.
- iii. There has also been technical and management knowledge transfer from the senior staff to junior staff that the mill can manage to run on shifts or even when the senior staff are on leave or retired.
- iv. To date, all the salaries for both contracted and casual staff is being paid on time and all statutory deductions are remitted to the relevant bodies.
- v. In compliance with the Occupational Health and Safety Act, MRM in collaboration with the Public Health have ensured the heath standards are met and periodical inspections and certification of the facility has been up to date.
- vi. The staff are protected against pollution and mechanical injuries by ensuring all time donning PPEs including nose, ears, eyes, body and feet protectors.

4. Market Place Practices

MRM has outlined its effort to;

(a) Responsible Competition Practice

MRM today operates in an oligopolistic environment where stiff competition is the order of the day. In such an environment the company has endeavored to winning customers by practicing honesty, accountability, reliability, respect and safety measures. This enables the company to get more customers than its competitors.

(b) Responsible Supply Chain and Supplier Relations

MRM ensures that its creditors are paid in time, that is, not more than fourteen (14) days after the delivery of goods and services. This has enabled customers to have confidence on company's supply chain.

(c) Responsible Marketing and advertisement

MRM has been advertising for the marketing of its commodities responsibly either in Public WEB through MRM banners at its outlet shop.

(d) Product Stewardship

MRM products are known by a wide range of consumers who come to buy them in the organization. Most of these products are well packed and weighed in accordance to the standards established.

MRM products are tested and certified by KEBS.

5. Corporate Social Responsibility /Community Engagements

MRM as a company fully engages the community it in offering its services. It also assists with material donation to the less fortunate class of the society. Such materials can be in form of firewood, foodstuff supplied to children's home, and sport activities provided to young people within the community.

10. REPORT OF THE DIRECTORS

The directors submit this report together with the financial statements for the year ended 30th June 2021 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 30th June. 2021 are set out on pages 1 to 4 of the financial statements.

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;

- i. The Chairman who is also the Chairman of NIA Board of Directors.
- ii. Three representatives of the;
 - i. Alternate Representative to CS National Treasury
 - ii. Alternate Representative to PS State Department of Irrigation, Ministry of Water, Sanitation and Irrigation
 - iii. the office of the Inspectorate of State Corporations as an ex-officio member
- iii. The Managing Director who also serves as the Chief Executive Officer for NIA.
- iv. The Chairman and the Vice Chairman of the Mwea Rice Growers Multi- Purpose Co-operative Society (MRGM).

The farmers' representatives' directorship only ceases once they stop serving in those capacities for the Society.

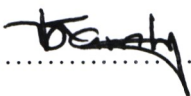
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For the year ended June 30,2021.

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 

Ms. Nancy Wambugu
Ag. Company Secretary

Date .. 31/05/2022

11. 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 30th June 2021. 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;
- (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

Mwea Rice Mills Limited

Annual Reports and Financial Statements
For the year ended June 30, 2021.

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 30th June, 2021, 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 on 31/05/2022 and signed on its behalf by:

Sign.....

HON. ENG. JOSHUA N. TORO
CHAIRMAN OF THE BOARD

Date.....31/05/2022.....

Sign.....

MR. GITONGA MUGAMBI
MANAGING DIRECTOR

Date.....31/05/2022.....

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MWEA RICE MILLS LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report, which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

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 20, which comprise of the statement of financial position as at 30 June, 2021 and the statement of profit or loss and other comprehensive income, statement of

changes in equity, statement of cash flows and the statement of comparison of 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mwea Rice Mills Limited as at 30 June, 2021, 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Lack of Valuation of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.10,341,786 and as disclosed in Note 11 to the financial statements. This balance includes an amount of Kshs.2,429,674 relating to buildings which were fully depreciated but had not been revalued as at 30 June, 2021. Further, the balance includes a parcel of land which was acquired in 1992 at a cost of Kshs.280,000. This land, measuring 1.62 hectares or 4.0014 acres, had not been revalued. This is contrary to International Accounting Standard No.16, which requires regular revaluation of property, plant and equipment to ensure that the carrying amount of the assets does not differ materially from their fair value at the end of the reporting period. Although the Management indicated that the assets were valued, this information has not been reflected in the financial statements.

In the circumstances, the completeness and accuracy of the property, plant and equipment balance of Kshs.10,341,786 could not be confirmed.

2. Investment Properties without Ownership Documents

The statement of financial position reflects investment property balance of Kshs.520,231,139, and as disclosed in Note 12 to the financial statements. Included in this balance is the value of houses located in Kilimani Nairobi County, along Lenana Road, and a residential building located in Mwea, Kirinyaga County. However, ownership documents provided for audit indicated that the land on which the houses in Nairobi are located is registered in the name of a third party while the land on which the building in Mwea is located is registered in the name of the original owners. In addition, some of the original owners have subdivided the parcel of land and transferred its ownership to third parties.

Consequently, the ownership and completeness of the investment property balance of Kshs.520,231,139 could not be confirmed.

3. Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables of Kshs.17,111,835, and as disclosed in Note 14 to the financial statements. This balance

is net of provision for doubtful debts on trade creditors of Kshs.18,712, provision on interest from deposit of Kshs.3,606,821 and provision on continental credit finance of Kshs.16,815,053 all totalling to Kshs.20,440,586. However, age analysis revealed that trade debtors totalling to Kshs.11,726,641 have been outstanding for over three (3) years and the debtors have not been active for a period of three years. It is not clear why the Management made a provision for doubtful debts of only Kshs.18,712 considering the huge balance of Kshs.11,726,641 held by inactive debtors.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.17,111,835 could not be confirmed.

4. Unpaid and Unsupported Tax

The statement of financial position reflects trade and other payables balance of Kshs.56,661,113 which as disclosed in Note 23 to the financial statements, includes tax provision of Kshs.4,568,071. This balance, which was brought forward from prior years, remained unpaid and the related penalties and interests on the unpaid taxes have not been provided for in the financial statements. Further, there was no evidence of measures taken by Management to pay the tax due, together with the related penalties and interest. In addition, no analysis of the tax provision of Kshs.4,568,071, was provided for audit verification.

In the circumstances, the accuracy and completeness of the unpaid tax balance of Kshs.4,568,071 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mwea Rice Mills limited Management in accordance with ISSAI 130 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 that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG.4/16/2 Vol.3 dated 30 June, 2021.

Other Information

The Directors and Management are responsible for the other information, which comprises (The Chairman's Report, Directors' Report, the Statement of Corporate Governance, Management Discussions and Responsibilities, Statement of Corporate Social Responsibility and the Statement of Directors' Responsibilities.) The other information does not include the financial statements and my auditor's report thereon.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Outstanding Tax Recoverable

The statement of financial position reflects a tax asset balance of Kshs.1,952,021, as disclosed in Note 16 to the financial statements. The balance was transferred to debtor's account as a result of previous calculation and agreement between the Company, Tax Consultant and Kenya Revenue Authority (KRA) and has been outstanding since the 2016/2017 financial year. There was no evidence of measures taken by Management to recover the balance from the KRA.

In the circumstances, the non-recoverability of the tax balance of Kshs.1,952,021 is not effective management of public resources.

2. Lack of Annual General Meeting

The Company did not hold an Annual General Meeting during the year under review contrary to Section 310 (1) of the Companies Act, 2015 which states that every public company shall hold a general meeting as its annual general meeting within six months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period.

In the circumstances, the Management was in breach of the law.

3. Unrecovered Debt

The Company had long overdue debt totalling to Kshs.16,815,053 from an entity that was placed under receivership. The Company has neither followed up on how the debt could be recovered nor disclosed any indicators that the debt will ever be recovered.

In the circumstances, the recoverability of the debt is doubtful.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of an Audit Committee

Review of Committees' activities revealed that the Company did not have an Audit Committee. Although the Company uses the Internal Audit Function for National Irrigation Authority, there is no Audit Committee to review the work of the internal auditor, assess the efficiency and effectiveness of its operational, and risk management processes.

Consequently, it was not possible to confirm the effectiveness of internal controls and risk management of the Company.

2. Lack of Credit Policy

The Company does not have a credit policy in place to guide on how to handle debts leading to inability to identify debt risk and how to collect them.

In the circumstances, it was not possible to confirm the internal controls in debt management.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my audit, that:

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the Management is aware of the intention to liquidate the Company or to cease operations.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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. 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 and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's policies and procedures may deteriorate.

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


- Identify and assess the risks of material misstatement of the 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 my 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities 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 Management 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 Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 July, 2022

MWEA RICE MILLS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021 Kshs	2019- 2020(Restated) Kshs
Revenues			
Revenue	4	49,842,870	38,987,215
Cost of sales	5	(35,799,187)	(34,880,515)
Gross Profit		14,043,683	4,106,700
Other Income			
Other Income	6	4,294,828	5,509,447
Investment Income	7	2,800,000	6,657,649
Total Revenues		21,138,510	16,273,796
Operating Expenses			
Administration Costs	8	(8,112,793)	(9,919,130)
Other Expenses	9	(9,133,092)	(1,273,994)
Board Members Expenses	10	(404,000)	(240,940)
Total Operating Expenses		(17,649,885)	(11,434,063)
Profit/(Loss) before Taxation		3,488,626	4,839
Income Tax Expense/(Credit)		(1,046,588)	(1,400,000)
Total Comprehensive Income For The Year		2,442,038	3,439

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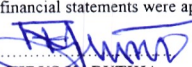
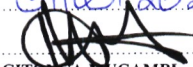
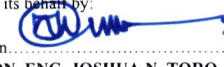
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MWEA RICE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2020/2021 Kshs	2019/2020 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	10,341,786	23,787,285
Investment property	12	<u>520,231,139</u>	<u>547,231,139</u>
Total Non-Current Assets		<u>530,572,925</u>	<u>571,018,424</u>
Current Assets			
Inventories	13	21,005,414	27,741,987
Trade and other receivables	14	17,111,835	13,483,237
Cash and Cash Equivalent	15	82,569,097	58,294,415
Tax recoverable	16	<u>1,952,021</u>	<u>1,952,021</u>
		<u>122,638,366</u>	<u>101,471,660</u>
Total Assets		<u>653,211,292</u>	<u>672,490,084</u>
CAPITAL, FUNDS, RESERVES AND LIABILITIES			
Capital and Reserves			
Share capital	17	5,000,000	5,000,000
General reserve	18	8,700,000	8,700,000
Revaluation reserve	19	520,231,139	547,231,139
Accumulated profits/loss	20	(12,028,864)	(14,470,902)
Capital Fund for Mill Rehabilitation	21	<u>52,610,534</u>	<u>52,610,534</u>
Total Capital, Funds, Reserves and Liabilities		<u>574,512,809</u>	<u>599,070,771</u>
Long-Term Liabilities			
Government Proposed Levy	22	<u>22,037,370</u>	<u>22,037,370</u>
Total Long-Term Liabilities		<u>22,037,370</u>	<u>22,037,370</u>
Current Liabilities			
Trade and other payables	23	<u>78,698,483</u>	<u>73,419,314</u>
Total Current Liabilities		<u>56,661,113</u>	<u>51,381,944</u>
TOTAL EQUITY AND LIABILITIES		<u>653,211,292</u>	<u>672,490,084</u>

The financial statements were approved by the Board on 31/05/2022 And signed on its behalf by:

Sign  MR. TIRUS KABUTHIA SENIOR ACCOUNTANT ICPAK M/NO. '15039 DATE <u>31/05/2022</u>	Sign  MR. GITONGA MUGAMBI MANAGING DIRECTOR DATE <u>31/05/2022</u>	Sign  HON. ENG. JOSHUA N. TORO CHAIRMAN DATE <u>31/05/2022</u>
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Mwea Rice Mills Limited.

Annual Reports and Financial Statements.

For the year ended June 30, 2021.

MWEA RICE MILLS LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	General reserve	Accumulated profits	Capital Fund	Revaluation Reserve	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2019	5,000,000	8,700,000	(14,853,914)	52,610,534	574,231,139	625,687,759
Profit and Loss Account	-	-	3,387,813	-	-	3,387,813
Proir year adjustment	-	-	(3,004,800)	-	-	(3,004,800)
Amortization	-	-	-	-	(27,000,000)	(27,000,000)
Revaluation gain	-	-	-	-	-	-
At June 30, 2020	5,000,000	8,700,000	(14,470,902)	52,610,534	547,231,139	599,070,771
At July 1, 2020	5,000,000	8,700,000	(14,470,902)	52,610,534	547,231,139	599,070,771
Profit and Loss account	-	-	2,442,038	-	-	2,442,038
Interim Dividends paid 2021	-	-	-	-	-	-
Proir year adjustment	-	-	-	-	-	-
Amortization	-	-	-	-	(27,000,000)	(27,000,000)
Revaluation gain	-	-	-	-	-	-
At June 30, 2021	5,000,000	8,700,000	(12,028,864)	52,610,534	520,231,139	574,512,809

**Restatement of the Retained Earnings as per note 14*

**MWEA RICE MILLS LTD
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	2020/2021	2019-2020(Restated)
	Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/(used in) operations	2,442,038	3,387,813
Prior Year Adjustment	-	(3,004,800)
Depreciation	4,869,797	4,836,519
Increase(Decrease) in Inventories	6,736,573	(4,178,119)
Increase(Decrease) in Receivables	(3,628,599)	11,164,758
Increase(Decrease) in Payables	5,279,169	56,337
Net cash generated from/(used in) operating activities	15,698,979	12,262,508
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions plant and machinery	(692,500)	
Proceeds from disposal	2,045,600	
Loss on Disposal	7,222,603	
Net cash generated from/(used in) investing activities	24,274,682	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash generated from/(used in) financing activities	-	-
Increase/ (Decrease) in Cash and Cash Equivalent	24,274,682	12,262,508
Cash and Cash Equivalent at the beginning of the year	58,294,415	46,031,907
Cash and Cash Equivalent at the end of the Year	82,569,096	58,294,415

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE, 2021

	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	ACTUALS ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE	% OF UTILIZATION
	2020/2021 (KSHS.)	2020/2021 (KSHS.)	2020/2021 (KSHS.)	2020/2021 (KSHS.)	2020/2021 (KSHS.)	
Revenue (A)						
Turnover	51,000,000.00	-	51,000,000.00	49,842,870	1,157,130.00	2%
Other Income	4,500,000.00	-	4,500,000.00	4,294,828	205,172.15	5%
Investment income	3,000,000.00	-	3,000,000.00	2,800,000	200,000.00	7%
TOTAL	58,500,000.00	-	58,500,000.00	56,937,698	1,562,302.15	3%
Expenditure (B)						
Paddy to mills	4,500,000.00	-	4,500,000.00	4,085,090	414,910.00	9%
Salaries and Wages- Casuals	8,000,000.00	-	8,000,000.00	7,860,319	139,680.95	2%
Salaries and Wages- Production/ Overtime	300,000.00	-	300,000.00	291,936	8,063.62	3%
Electricity	10,000,000.00	-	10,000,000.00	9,848,378	151,621.99	2%
Buildings mtce -General (Mills)	1,350,000.00	-	1,350,000.00	1,264,712	85,288.00	6%
Buildings mtce - Stores	1,300,000.00	-	1,300,000.00	1,211,865	88,135.00	7%
P & M Maintenance - miscellaneous	350,000.00	-	350,000.00	328,090	21,910.00	6%
Bags and Packing materials	650,000.00	-	650,000.00	632,752	17,248.00	3%
P & M Maintenance - mill 5	2,600,000.00	-	2,600,000.00	2,529,270	70,730.20	3%
P & M Maintenance - mill 6	3,000,000.00	-	3,000,000.00	2,979,997	20,002.77	1%
Salaries and Wages- Regular Staff	2,200,000.00	-	2,200,000.00	2,174,956	25,044.26	1%
Medical Expenses	20,000.00	-	20,000.00	18,300	1,700.40	9%
House allowance	68,000.00	-	68,000.00	66,000	2,000.00	3%
Leave & transfer allowance	45,000.00	-	45,000.00	42,904	2,096.00	5%
NSSF	100,000.00	-	100,000.00	97,000	3,000.00	3%
Printing and Stationery	320,000.00	-	320,000.00	316,943	3,057.15	1%
Travelling Expenses	1,900,000.00	-	1,900,000.00	1,796,860	103,140.00	5%
Travel by road	62,000.00	-	62,000.00	59,400	2,600.00	4%
Telephone, Postages and Sundries	375,000.00	-	375,000.00	372,000	3,000.00	1%
Building mtce- offices	95,000.00	-	95,000.00	91,650	3,350.00	4%
Audit fees	348,000.00	-	348,000.00	348,000	-	0%
Administration & accountancy fee	1,750,000.00	-	1,750,000.00	1,708,131	41,869.00	2%
Motor vehicle Mtce.	385,000.00	-	385,000.00	381,500	3,500.00	1%
Licences	80,000.00	-	80,000.00	79,482	518.00	1%
Buildings mtce - Staff houses	265,000.00	-	265,000.00	263,652	1,348.00	1%
Uniforms	135,000.00	-	135,000.00	130,281	4,719.00	3%
Bank charges	95,000.00	-	95,000.00	88,528	6,471.64	7%
Office Tea	385,000.00	-	385,000.00	379,190	5,810.00	2%
Office Beverages	32,000.00	-	32,000.00	29,543	2,457.00	8%
Hire for Transport	550.00	-	550.00	500	50.00	9%
Subscriptions and Periodicals	70,000.00	-	70,000.00	65,570	4,430.00	6%
Advertising	22,000.00	-	22,000.00	20,000	2,000.00	9%
Water Charges	125,000.00	-	125,000.00	123,796	1,204.00	1%
Staff Gratuity	65,000.00	-	65,000.00	60,956	4,044.00	6%
Computer Expenses	14,000.00	-	14,000.00	13,450	550.00	4%
Consumables	75,000.00	-	75,000.00	71,576	3,424.22	5%
Oils & Grease	12,000.00	-	12,000.00	11,090	910.00	8%
Diesel	260,000.00	-	260,000.00	235,683	24,317.06	9%
Petrol	32,000.00	-	32,000.00	29,219	2,781.00	9%
Board Members expenses	445,000.00	-	445,000.00	404,000	41,000.00	9%
Sanitary Expenses	45,000.00	-	45,000.00	43,143	1,857.00	4%
Store Fumigation	5,000.00	-	5,000.00	4,770	230.00	5%
Rates	850,000.00	-	850,000.00	796,190.00	53,810.00	6%
Depreciation	5,000,000.00	-	5,000,000.00	4,869,797	130,203.00	3%
Loss on Disposal	7,300,000.00	-	7,300,000.00	7,222,603	77,397.27	1%
TOTAL EXPENDITURE (B)	55,030,550.00	-	55,030,550.00	53,449,071	1,581,478.53	3%

Surplus /Deficit (A- B)	3,469,450		3,469,450	3,488,626	(19,176)	
2. CAPITAL BUDGET FOR THE FINANCIAL YEAR 2020/2021						
DESCRIPTION	BUDGET FOR THE FY 2020/2021					
	(KSHS.)					
Office Furnitures (4@ 25,000/=)	100,000.00	-	100,000.00			
Domestic Water Pump	100,000.00	-	100,000.00			
Lawn Mower	50,000.00	-	50,000.00			
Automation	2,000,000.00	-	2,000,000.00			
Dehusker	800,000.00	-	800,000.00			
TOTAL	3,050,000.00	-	3,050,000.00			

NOTES TO THE FINANCIAL STATEMENTS

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 Authority-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 amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (include any other applicable legislation), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3 Application of New and Revised International Financial Reporting Standards (IFRS)

(i) New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments. The Company did not engage in any financial instrument during the year under review.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts. The Company had no insurance contract during the year under review.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters. The Company did not engage in any financial instrument during the year under review.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. The Company did not engage in any lease during the year under review.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

Application of New and Revised International Financial Reporting Standards (IFRS)

ii New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. The company adopted the standard during the year under review.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to

The Directors have assessed the applicable standards and amendments. Based on their assessment of 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 entity did not early – adopt any new or amended standards in year 2020/2021

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 measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services is recognised in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government are recognised in the year in which the entity actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds. However, 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.
- iv) Dividend income is recognised in the income statement in the year in which the right to receive the payment is established.
- v) Rental income is recognised in the income statement as it accrue using the effective interest implicit in lease agreements.
- vi) Other income is recognised as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the entity 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 for in-kind contributions can be reliably determined, the entity 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.

c) 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 amounts 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 the carrying amount of the same asset 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.

Revaluation of buildings and land was carried out by Ministry of Lands and Physical Planning while revaluation for motor vehicles was done by Ministry of Transport, Infrastructure, Housing and Urban Development on 30 June 2021. The complete reports were received by 30 June 2021. The fixed assets register was updated on 1 July, 2021.

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:

Freehold Land	Nil
Buildings and civil works	4% pa
Plant and machinery	12.5% pa
Motor vehicles, including motor cycles	25% pa
Computers and related equipment	33.5% pa
Office equipment, furniture and fittings	4% pa

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal. 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.

MWEA RICE MILLS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2021

11. 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.
COST:									
AS AT 01.07.2020	13,016,330	158,368,688	202,461	2,080,313	1,979,999	1,787,425	26,049,520	280,000	203,764,736
DEPRECIATION:									
AS AT 01.07.2019	10,277,892	134,970,869	202,461	-	1,979,999	1,690,950	2,574,192	-	151,696,363
CHARGE FOR THE YEAR	154,382	4,600,140	-	-	1	51,237	30,760	-	4,836,520
AS AT 30.06.2020	10,432,274	139,571,009	202,461	-	1,979,999	1,742,187	2,604,952	-	156,532,882
N.B.V 30.06.2020	2,584,056	18,797,679	-	2,080,313	-	45,237	-	280,000	23,787,286
COST:									
AS AT 01.07.2020	13,016,330	158,368,688	202,461	2,080,313	1,979,999	1,787,425	2,604,952	280,000	180,320,168
ADDITIONAL COST	-	-	21,500	-	-	-	433,200	-	454,700
DISPOSALS	-	(40,609,315)	-	-	-	-	-	-	(40,609,315)
AS AT 30.06.2021	13,016,330	117,759,373	223,961	2,080,313	1,979,999	1,787,425	3,038,152	280,000	140,165,553
DEPRECIATION:									
AS AT 01.07.2020	10,432,274	139,571,009	202,461	-	1,979,999	1,742,187	2,604,952	-	156,532,882
CHARGE FOR THE YEAR	154,382	4,609,925	800	-	-	13,990	90,700	-	4,869,797
DEP. ON DISPOSALS	-	(31,578,912)	-	-	-	-	-	-	(31,578,912)
AS AT 30.06.2021	10,586,656	112,602,022	203,261	-	1,979,999	1,756,177	2,695,652	-	129,823,767
NET BOOK VALUE:									
AS AT 30.06.2021	2,429,674	5,157,351	20,700	2,080,313	-	31,248	342,500	280,000	10,341,786
AS AT 30.06.2020	2,584,056	18,797,679	-	2,080,313	-	45,237	-	280,000	23,787,285

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. However, the company did not incur such expenses in the year under audit.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are 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

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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 interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are 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 investments exchanges. Quoted 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 that are not quoted in the Securities Exchange. 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 realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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 at recovery have been exhausted.

i) We provide for bad and doubtful debts that are over 5 years.

n) Taxation

i) 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.

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.

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.

ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their 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 same taxable entity and the same taxation authority.

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o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p) 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 reporting period. 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.

q) 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.

r) 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.

s) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2020. 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 at Ksh.200 per employee per month.

t) 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.

u) 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.

v) Budget information

The original budget for FY 2020-2021 was approved by the Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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 schemes 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.

w) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

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

z) 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, 2021.

5 Significant Judgements and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS 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:

a) 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.

b) 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

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Provisions

Provisions were raised and management did not see the need to make a further 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.

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4 REVENUE	2021/2021 KSHS	2019/2020 KSHS
Broken rice sales	39,440	106,806
Basmati packets sales	6,647,529	9,036,395
Bran meal sales	11,365,841	6,622,411
Course Bran	-	6,400
Chicken feed sales	2,231,163	1,131,252
Milling Income	29,558,897	22,083,951
	<u>49,842,870</u>	<u>38,987,215</u>

5 COST OF SALES	2020/2021 KSHS	2019/2020 KSHS
Paddy to mills	4,085,090	6,565,824
Salaries and Wages- Casuals	7,860,319	9,641,100
Salaries and Wages- Production/ Overtime	291,936	172,201
Electricity	9,848,378	9,175,824
Buildings mtce -General	1,264,712	1,701,165
Buildings mtce - Stores	1,211,865	397,570
Depreciation - Buildings	154,382	154,382
Hire of Transport	500	11,624
Stores Fumigation Expenses	4,770	-
P & M Maintenance - miscellaneous	328,090	176,047
Depreciation - Equipment	4,609,925	4,600,140
Bags and Packing materials	632,752	1,021,269
P & M Maintenance - mill 5	2,526,471	103,271
P & M Maintenance - mill 6	2,979,997	762,598
Basmati white rice purchases	-	397,500
	<u>35,799,187</u>	<u>34,880,515</u>

6 OTHER INCOME	2020/2021 KSHS	2019/2020 KSHS
Rental Income	3,185,450	3,586,188
Miscellaneous Income	975,488	628,959
Storage Income	133,890	1,294,300
	<u>4,294,828</u>	<u>5,509,447</u>

Included in the misc. Income is: Clogged Bran Ksh. 194,900, Parking fee Ksh. 113,290, Firewood Ksh. 145,660, Husk Ksh 521,638

7 INVESTMENT INCOME	2020/2021 KSHS	2019/2020 KSHS
Leader House	-	777,049
Massionettes	2,800,000	5,880,600
	<u>2,800,000</u>	<u>6,657,649</u>

8 ADMINISTRATIVE EXPENSES	2020/2021 KSHS	2019/2020 KSHS
(a) Staff costs		
Salaries and Wages- Regular	2,174,956	2,083,672
Medical Expenses	18,300	19,999
House allowance	66,000	162,000
Leave & transfer allowance	42,904	35,021
Salaries & Wages-Gratuity	60,956	223,935
NSSF	97,000	74,800
sub-total	<u>2,460,115</u>	<u>2,599,427</u>
(b) Administrative costs		
Printing and Stationery	316,943	385,838
Travelling Expenses	1,796,860	2,798,865
Travel by road	59,400	22,300
Telephone, Postages and Sundries	372,000	283,140
Building mtce- offices	91,650	326,187
Legal & Professional fees/consultancy	-	35,000
Audit fees	348,000	348,000
Security services	-	428,833
Licences	79,482	262,116
Administration & accountancy fee	1,708,131	1,534,629
Computer expenses	13,450	41,320
Motor vehicle Mtce.	381,500	586,117
Office Machinery Expenses	2,800	-
Buildings mtce - Staff houses	263,652	70,166
Uniforms	130,281	129,050
Bank charges	88,528	68,142
sub-total	<u>5,652,677</u>	<u>7,319,703</u>
Total	<u>8,112,793</u>	<u>9,919,130</u>

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9 OTHER EXPENSES	2020/2021 KSHS	2019/2020 KSHS
Depreciation on Vehicles	-	-
Office Tea	379,190	318,807
Office Beverages	29,543	344,976
Loss on Disposal	7,222,603	-
Subscriptions and Periodicals	65,570	43,590
Bicycles mtce	-	-
Depreciation - Furniture & Fittings	13,990	51,237
Depreciation - workshop Tools	800	-
Marketing	20,000	-
Advertising	-	187,920
Consumables	71,576	-
Sanitary Expenses	43,143	-
Water Charges	123,796	17,740
Depreciation on Computer & Accessories	90,700	30,760
Oils & Grease	11,090	3,659
Diesel	235,683	253,124
Petrol	29,219	22,180
Rates	796,190	-
Total	9,133,092	1,273,994

10 BOARD MEMBERS EXPENSES	2020/2021 (KSHS)	2019/2020 (KSHS)
Sitting Allowance	267,500	170,000
Accommodation allowance	-	16,000
Travel Expenses	-	19,040
Lunch Allowance	84,500	35,900
Airtime Allowance	52,000	-
Total	404,000	240,940

12 INVESTMENT PROPERTY	2020/2021 KSHS	2019/2020 KSHS
Cost/Revaluation		
As at 1st July 2019	675,000,000	675,000,000
As at 30th June 2020	675,000,000	675,000,000
Depreciation		
As at 1st July 2019	73,768,861	73,768,861
Revaluation	-	-
Charge for the year	27,000,000	27,000,000
As at 30th June 2020	100,768,861	100,768,861
N.B.V as at 30th June 2020	574,231,139	574,231,139
Cost/Revaluation		
As at 1st July 2020	675,000,000	675,000,000
As at 30th June 2021	675,000,000	675,000,000
Depreciation		
As at 1st July 2020	127,768,861	100,768,861
Charge for the year on revaluation	27,000,000	27,000,000
As at 30 th June 2021	154,768,861	127,768,861
N.B.V as at 30th June 2021	520,231,139	547,231,139
N.B.V as at 30th June 2020	574,231,139	574,231,139

13 INVENTORIES	2020/2021 KSHS	2019/2020 KSHS
Spare parts	13,626,808	16,454,850
Bags and packing materials	2,446,484	2,446,484
General store	185,307	885
Rice paddy	4,420,800	8,134,050
By Product	256,350	49,310
Milled Rice	6,880	585,760
Stationery Store	62,784	70,647
Total	21,005,414	27,741,987

14 TRADE AND OTHER RECEIVABLES	2020/2021 KSHS	2019/2020 KSHS
Trade debtors	15,361,827	13,379,522 *
Staff debtors	1,687,800	41,506
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
Total	37,552,421	33,923,822

Restatement of the Trade debtors for 2019/2020 is in respect of Ksh. 4,054,926 being NCPB long outstanding debt which had been cleared but remained in the books.

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LESS PROVISION FOR DOUBTFUL DEBTS

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>17,111,835</u>	<u>13,483,237</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.

	2020/2021	2019/2020
	KSHS	KSHS
15 CASH & CASH EQUIVALENT		
BBK QUEENSWAY (NBI) A/C 0945035838	48,813,902	42,619,688
KCB Wanguru A/C 1103971387	33,725,920	13,775,108
Cash in hand - factory imprest	29,275	1,899,619
	<u>82,569,097</u>	<u>58,294,415</u>

	2020/2021	2019/2020
	KSHS	KSHS
16 TAX RECOVERABLE		
Balance brought forward	1,952,021	1,952,021
Balance carried forward	<u>1,952,021</u>	<u>1,952,021</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.

	2020/2021	2019/2020
	KSHS	KSHS
17 SHARE CAPITAL		
Authorised and fully paid		
250,000 ordinary shares		
of Kshs 20/= each. The shareholding is	5,000,000	5,000,000
as follows :		
National irrigation Authority - 55%		
Mwea Rice Mills Ltd - 45%		

18 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.

	2020/2021	2019/2020
	KSHS	KSHS
19 REVALUATION RESERVE		
Revaluation of Maisonettes	406,126,740	500,000,000
Revaluation of Leader House	141,104,399	175,000,000
Depreciation of Revalued assets	(27,000,000)	(127,768,861)
Net book Value	<u>520,231,139</u>	<u>547,231,139</u>

20 ACCUMULATED PROFIT/(LOSS)

	2020/2021	2019/2020
	KSHS	KSHS
Balance b/f	(14,470,902)	(14,853,914)
Prior Year adjustment	-	(3,004,800)
Profit/(loss) for the year	2,442,038	3,387,813
Balance c/f	<u>(12,028,864)</u>	<u>(14,470,902)</u>

21 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 Authority by Mwea Rice Mills. The levy was to be used for rehabilitating the mills. The Authority has since shed off non-core functions like processing and marketing of rice and therefore, the levy is no longer chargeable.

22 NON- CURRENT LIABILITY

	2020/2021	2019/2020
	KSHS	KSHS
Government proposed levy **	22,037,370	22,037,370
	<u>22,037,370</u>	<u>22,037,370</u>

Government Proposed levy was a levy imposed on Mwea Rice Mills Ltd to be paid to the National Irrigation Authority. 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 Authority started marketing rice.

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23 TRADE AND OTHER PAYABLES

	2021/2021	2019/2020
	KSHS	KSHS
Audit fees provision	1,740,000	1,392,000
Staff Liabilities	810,255	798,879
Tax provision	4,568,071	3,521,483
NIA current account (Inter-Co. - Creditors)	44,822,750	42,459,500
Trade	4,720,036	3,210,081
	<u>56,661,113</u>	<u>51,381,944</u>

24 DEPRECIATION CHARGE FOR THE YEAR

	2020/2021	2019/2020
	KSHS	KSHS
Fixed Assets Movement schedule	4,869,797	4,836,519
	<u>4,869,797</u>	<u>4,836,519</u>

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25 RELATED PARTY TRANSACTIONS

Related parties include Key Management and Board of Directors.

- (a) National irrigation Authority owns 55 % shares in Mwea Rice Mills. The other 45 % is owned by Mwea farmers. there is an agreement between NIA and farmers for the former to provide administrative and accountancy services, after which NIA 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 NIA. as shown in note 14.

26 Ordinary Share Capital

	2020/2021	2019/2020
	Kshs	Kshs
Authorized:		
250,000 ordinary shares of KSh.20/= par value each	5,000,000	5,000,000
Issued and fully paid:		
250,000 ordinary shares of KSh.20/= par value each	5,000,000	5,000,000

27 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.

28 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.

29 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.

Trade Receivables

	2020/2021	2019/2020
	Ksh.	Ksh.
Gross trade receivables	15,361,827	17,434,448
Tax Recoverable	1,952,021	1,952,021
Provision for doubtful receivables	18,712	18,712
Net trade receivables	17,332,560	19,405,181
At June 30, 2021 the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,808,100	628,895
Between 30 and 60 days	995,195	-
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	14,529,265	18,776,286
Total	17,332,560	19,405,181

30 Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency.

The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers. The company's financial risk management objectives and policies are detailed below:

i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. However, the company was not exposed to this risk during the year under audit.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

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a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Company did not have any Foreign Currency Risk during the year under review.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

ii) Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy
IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the entity's market assumptions. These two types of inputs have created the following fair value hierarchy:

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The entity considers relevant and observable market prices in its valuations where possible.

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern.

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	520,231,139	547,231,139
Retained earnings	(12,028,864)	(10,415,976)
Capital reserve	5,000,000	5,000,000
Total funds	513,202,275	541,815,163
Total borrowings	-	-
Less: cash and bank balances	82,569,096	58,294,415
Net debt/(excess cash and cash equivalents)	595,771,371	600,109,578
Gearing	-	-

31 Incorporation

The entity is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

32 Events After The Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

33 Currency

The financial statements are presented in Kenya Shillings (Kshs).

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APPENDICES :

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Qualification Issues					
1. Presentation and Accuracy of the Financial Statement					
1. Plant, Property and Equipment					
1.1	Fully depreciated Assets	The Assets will be revalued in this current financial year 2020/2021	Manager MRM Ltd.	Resolved	30/06/2021
1.2	Undervaluation of Land in Wanguru (Mwea)	Management is still waiting to act on the findings once provided	Manager MRM Ltd.	Not resolved	30/06/2021
1.3	Property without Ownership Documents	The application for the new ownership documents is in progress and will be ready in the next audit.	Manager MRM Ltd.	Not resolved	30/06/2021
2. Obsolete Inventory					
2.1	Obsolete Inventory	Management will present a Board Paper to the Board in the current Financial year 2020/2021	Disposal Committee	Resolved	30/06/2021
3. Long term Liability.					
3.1	Government Proposed Levy	The management is to present a Board Paper to the Board in this current financial year 2020/2021	Management	Not resolved	30/06/2021
4. Long term Liability.					
4.1	Capital Fund for Mill Rehabilitation	The management is to present a Board Paper to the Board in this current financial year 2020/2021	Management	Not resolved	30/06/2021
5. Discrepancies in Financial statements					
5.1	Variance in Cost of sales, Administration costs, Other expenses, Trade debtors & Trade and other payables	The errors which occurred when the draft financial statements were being prepared were corrected through journals and respective schedules updated as indicated in the amended financial statements	Manager	Resolved	30/06/2021
Emphasis of Matter					
1.1. Failure to Settle Long Outstanding Liabilities					
1.1	Non-remittance of Outstanding Tax Ksh. 2,069,563	i) Tax provision for the financial year under review and the previous years has not been settled as we are yet to receive the certified accounts for filing with KRA. ii) MRM Ltd is yet to receive 2019/2020 and earlier financial years audit fees invoices for settlement.	Management	Not resolved	30/06/2021
1.2	Continental Credit Finance (Under Receivership)	The management under the directorship of the Board has planned to follow up this issue with the official receiver within this current financial year 2020/2021	Management	Not resolved	30/06/2021
1.3	Share Capital	NIA holds majority shares (137,500 shares @ Ksh.20/=) in the Company translating to 55% while Mwea Farmers Co-op Society holds the remaining (112,500 shares @ Ksh. 20/=) in the Company translating to 45%. Provided are the copies of share certificates, the letter from the Registrar of Companies and the minutes' extract to support the share capital ownership between the two entities	Management	Resolved	30/06/2021
1.4	Long Outstanding Trade Debtors	The Management has written letters to the debtors asking them to settle their debts.	Management	Resolved	30/06/2021
Other Matters					
1. Presentation and Accuracy of the Financial Statement					
1.1	Cost of Sales- Variance in Paddy Purchase	Management handed over to Director of Criminal Investigation who are still handling the case.	Manager MRM Ltd.	Not resolved	30/06/2021
1.2	Mills and Milled Rice	Management handed over to Director of Criminal Investigation who are still handling the case.	Manager MRM Ltd.	Not resolved	30/06/2021
1.3	Failure to maintain Accountable Documents for By- Products	Management handed over to Director of Criminal Investigation who are still handling the case.	Manager MRM Ltd.	Not resolved	30/06/2021

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1.4	Un-accounted for Turn-over	Management handed over to Director of Criminal Investigation who are still handling the case.	Manager MRM Ltd.	Not resolved	30/06/2021
1.5	Unexplained reduction in Basmati Packets sales compared to stock	Management handed over to Director of Criminal Investigation who are still handling the case.	Manager MRM Ltd.	Not resolved	30/06/2021
Basis for Conclusion					
1.1	Non-remittance of Outstanding Tax	The matter will be resolved once filing is done for the current year. Penalties and interest if established will be adjusted in the books, negotiated with Kenya Revenue Authority and will be resolved as per the agreement	Management	Not resolved	30/06/2021
1.2	Under-collection of Rental Income	The property manager is on board managing the two properties	Management	Resolved	30/06/2021
1.3	Under-collection of revenue	Management handed over to Director of Criminal Investigation who are still handling the case.	Management	Not resolved	30/06/2021
1.4	Lease Agreements				
Internal Control and Governance					
1. Internal Control Weakness					
1.1	Internal Audit	The Internal Audit conducted carried out a comprehensive routine audit of the Mwea Rice Mills Ltd. for the period October 2018 to April 2019 and prepared a report on the findings.	Management	Resolved	30/06/2021

MR. GITONGA MUGAMBI

MANAGING DIRECTOR

Sign.....

DATE.....31/05/2022

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Project title	Project Number	Donor	Period/ duration	Dono r comm itmen t	Separate donor reporting required as per the donor agreement (Yes/No)	Conso litate d in these financ ial state ments (Yes/ No)
1						
2						

During the financial year under review, there were no projects implemented by MRM Ltd.

Status of Projects completion

	Project	Total project Cost	Total expended to date	Comp letion % to date	Budget	Actua l	Sources of funds
1							
2							
3							

During the financial year under review, there were no projects implemented by MRM Ltd.

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Irrigation.				
FY 2020/2021				
a.	Recurrent Grants			
		Bank Statement	Amount	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	
b.	Development Grants			
		Bank Statement	Amount	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	
c.	Direct Payments			
		Bank Statement	Amount	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	
d.	Donor Receipts			
		Bank Statement	Amount	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	

During the financial year under review, there were no inter- entity transfers

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Others - must be specific	Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables		
Ministry of Planning and Devolution	xxx	Recurrent	-	-	-	-	xxx	xxx	xxx
Ministry of Planning and Devolution	xxx	Development	-	-	-	-	xxx	xxx	xxx
USAID	xxx	Donor Fund	-	-	-	-	xxx	xxx	xxx
Ministry of Planning and Devolution	xxx	Direct Payment	-	-	-	-	xxx	xxx	xxx
			-	-	-	-	xxx	xxx	xxx
Total			-	-	-	-	xxx	xxx	xxx

There were no transfers from other government entities during the year under review.