

REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
Enhancing Accountability

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**ON**

**MWEA RICE MILLS LIMITED**

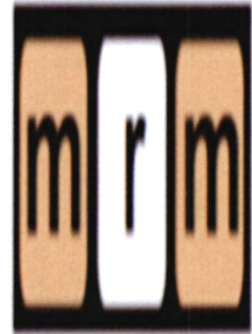
**FOR THE YEAR ENDED**

**30 JUNE, 2025**



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**MWEA RICE MILLS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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Prepared in accordance with the IFRS Accounting Standards



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## 1. Acronyms and Glossary of Terms

### A. Acronyms

<i><b>IFRS</b></i>	<i>International Financial Reporting Standards</i>
<i><b>MD</b></i>	<i>Managing Director</i>
<i><b>NT</b></i>	<i>National Treasury</i>
<i><b>PFM</b></i>	<i>Public Finance Management.</i>
<i><b>PSASB</b></i>	<i>Public Sector Accounting Standards Board</i>
<i><b>MRM</b></i>	<i>Mwea Rice Mills Ltd.</i>
<i><b>MRGM</b></i>	<i>Mwea Rice Growers Multipurpose Co-operative Society Limited.</i>
<i><b>NIA</b></i>	<i>National Irrigation Authority</i>
<i><b>AG</b></i>	<i>Acting</i>
<i><b>NCPB</b></i>	<i>National Cereals and Produce Board</i>
<i><b>HON.</b></i>	<i>Honorable</i>
<i><b>MBS</b></i>	<i>Moran of the Order of the Burning Spear</i>

### B. Definition of Key Terms

**Fiduciary Management** - Members of Management directly entrusted with the entity's financial resources.

**Comparative Year**- Means the prior period.

## **2. Key Entity Information**

### **a) Background information**

*Mwea Rice Mills Ltd.* was established under the Companies Act CAP 486(now repealed and substituted with Companies Act 2015) on (5<sup>th</sup> May 1967). At Ministry level, *Mwea Rice Mills Ltd.* is represented by the Principal Secretary for Ministry of Water Sanitation and Irrigation, who is responsible for the general policy and strategic direction of *Mwea Rice Mills Ltd.*. *Mwea Rice Mills Ltd.* is domiciled in Kenya.

### **b) Principal Activities**

The principal activities of MRM Ltd. are buying, processing, marketing and storage of paddy from Mwea Irrigation Scheme. The company has two milling units with an installed capacity of 5stones per hour. This capacity is sufficient to handle the entire paddy produced in Mwea Irrigation Settlement Scheme and adjoining regions. The company also boasts of long experience in processing and marketing of 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.

### **c) Directors**

The Directors who served the entity during the year/period were as follows:

1. Eng. Gilbert Mutua - Chairman - Appointed on 18/05/2023  
Maluki Ndonge
2. Mr. Ndege Muiruki - Chairman MRGM - Appointed on 30/10/2019
3. Mr. Nicholus Mwangi - Vice Chairman MRGM - Appointed on 29/07/2021
4. Mr. Daniel Odhiambo - Alternate to PS, State Department - Appointed on 28/09/2023  
Odero of Irrigation, Ministry of Water Sanitation and Irrigation
5. Mr. Victor Momanyi - Representative of Inspector - Appointed on 08/06/2022  
General State Corporations

**Mwea Rice Mills Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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6. CPA. Samwel Otieno - Alternate representative to PS, - Appointed on 22/07/2024  
Onyango National Treasury
7. Eng. Charles Muasya, - Managing Director - Appointed on 06/12/2022  
MBS

**d) Ag. Company Secretary**

Ms. Jullyane Okello Awino  
P.O. Box 30372 – 00100  
Nairobi

**e) Factory**

Mwea  
P.O. Box 80  
Wanguru

**f) Company Headquarters**

Irrigation House - Building  
Lenana Road  
P.O. Box 30372-00100

**g) Company Contacts**

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

**h) Company Bankers**

1. Kenya Commercial Bank  
P.O. Box 393  
WANGURU
2. ABSA Bank Ltd  
Queensway house  
P.O. Box 30011  
NAIROBI
3. Equity Bank (Kenya) Ltd  
Mayfair Supreme Centre  
P.O. Box 75104-00200  
NAIROBI

**Key Entity Information (continued)**

**i) Independent Auditors**


Auditor-General  
The Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya



**j) Principal Legal Advisers**


1. The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya


3. The Board of Directors


SN	Directors	Details
1.	<p><b>ENG. GILBERT MUTUA MALUKI NDONYE - CHAIRMAN</b></p> 	<p><b>ENG. GILBERT MUTUA MALUKI NDONYE – CHAIRMAN</b></p> <p>Eng. Gilbert Mutua Maluki was born on 23/03/1980. He was appointed as the Chairman of National Irrigation Authority Board of Directors through Kenya Gazette Notice No. 6281 of the Kenya Gazette Vol. CXXV-No. 116, dated on May 19, 2023. He holds a Bachelor of Science Degree in Agricultural Engineering from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and certificates in Finance Management and Sales &amp; Marketing. Some of his key achievements include the design and development of a token-based Smart Meter for Liquefied Petroleum Gas (LPG) cylinders and facilitating its implementation and rollout in the East Africa region (Kenya, Uganda, and Tanzania) at M-Gas PLC. He was also a principal member of the team involved in building Pro Gas from inception to become the regional leader in LPG, with a 48% market share. He is a proactive, conscientious and adaptable professional with over ten years of experience in multi-layered projects and operational works in the oil and gas industry in East and Southern Africa (Kenya, Tanzania, and Mozambique), with an impeccable track record of performance. He has outstanding leadership and management skills that have ensured exemplary achievements which have propelled organizations he has worked for to higher levels.</p>


		<p>His background in Agricultural Engineering, coupled with his experience in various leadership and management roles from M-Gas Kenya PLC, Proto Energy Kenya Limited, Oryx Energy PLC, and Total Kenya PLC, will enable him to lead the National Irrigation Authority Board in implementing the Authority's mandate and vision of providing water to every irrigable acre. This will contribute towards reducing the cost of living by improving agricultural productivity within the framework of the Bottom-Up Economic Transformation Agenda (BeTA).</p>
<p>2.</p>	<p><b>MR NDEGE MURIUKI - NON-EXECUTIVE DIRECTOR</b></p> 	<p><b>MR NDEGE MURIUKI - NON-EXECUTIVE DIRECTOR</b></p> <p>Mr. Ndege Muriuki joined the Authority on 30<sup>th</sup> 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 14<sup>th</sup> 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>

<p>3.</p>	<p><b>MR. NICHOLUS MWANGI, EXECUTIVE DIRECTOR</b></p> 	<p><b>NON-</b></p>	<p><b>MR. NICHOLUS MWANGI, NON- EXECUTIVE DIRECTOR</b></p> <p>Mr. Nicholas Mwangi Was appointed to the Board of MRM Ltd on 29<sup>th</sup> July 2021 upon election by the Mwea rice growers Farmers.</p>
<p>4.</p>	<p><b>MR. DANIEL ODHIAMBO ODERO, ALTERNATE TO THE PRINCIPAL SECRETARY, STATE DEPARTMENT FOR IRRIGATION</b></p> 		<p><b>MR. DANIEL ODHIAMBO ODERO, ALTERNATE TO THE PRINCIPAL SECRETARY, STATE DEPARTMENT FOR IRRIGATION</b></p> <p>Mr. Daniel Odhiambo Odero was Mr. Daniel Odhiambo Odero was born on 01/01/1969. He was appointed to the Board on September 28, 2023. He holds a Master of Science (MSc.) degree in Agricultural and Applied Economics (CMAAE) and a Bachelor of Science (BSc.) in Agriculture both from the University of Nairobi, Kenya.</p> <p>Currently, Mr. Odero holds the position of Director – Irrigation Water Management at the State Department of Irrigation since June 2019. In this role, leads a division responsible for planning, monitoring and evaluation, resource mobilization, and data and information management related to irrigation schemes. Among others, his responsibilities include formulating and implementing programs and projects for irrigation scheme management, promoting climate-smart and water-saving irrigation technologies, and overseeing irrigation water</p>

		<p>development. Moreover, he serves as the National Programme Coordinator for KfW-funded projects on irrigation and water harvesting and storage in Kenya</p> <p>Prior to his current roles, Mr. Odero has held positions in the Ministry of Agriculture, Livestock, and Fisheries, in several roles including Monitoring &amp; Evaluation Officer for the Drought Resilience and Sustainable Livelihoods Programme in the Horn of Africa and Chief Agriculture Officer.</p>
<p>5.</p>	<p><b>MR. VICTOR MOMANYI, ALTERNATE TO INSPECTOR GENERAL, STATE CORPORATIONS</b></p> 	<p><b>MR. VICTOR MOMANYI, ALTERNATE TO INSPECTOR GENERAL, STATE CORPORATIONS</b></p> <p>Mr Victor Momanyi was born on 21/9/1967. He was appointed to the Board on 8th June 2022. He is a holder of Masters Degree in Public Sector Management from Africa University and Bachelor’s Degree in Education from Kenyatta University. He currently holds the office as Deputy Inspector General (Investigations), Inspectorate of State Corporations ,Cabinet Affairs office. He is a member of Association of Public Administration and Management(APAM)(Kenyan Chapter).</p>



<p>6.</p>	<p><b>CPA SAMUEL OTIENO ONYANGO- ALTERNATE TO CABINET SECRETARY, NATIONAL TREASURY</b></p> 	<p><b>CPA SAMUEL OTIENO ONYANGO- ALTERNATE TO CABINET SECRETARY, NATIONAL TREASURY</b></p> <p>CPA Samwel Otieno Onyango was appointed to the Board on July 22, 2024. He is a holder of a Master of Business Administration, Finance Option (University of Nairobi), Certified Public Accountant of Kenya and Member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p> <p>Mr. Onyango is a highly experienced professional with over 20 years in public sector financial management with expertise in budgeting, disbursements, accounting, reporting and auditing. Currently serving as the Head of Finance and Administration at the Public Private Partnership Directorate in the National Treasury, he oversees all financial and administrative matters, supporting procurement processes and ensuring effective resource management. His previous roles include Project Financial Controller for the GoK/IFAD Upper Tana Catchment Natural Resource Management Programme, where he managed all financial aspects of the project, and Chief Accountant at the National Treasury, overseeing disbursements from bi-lateral and multi-lateral organizations.</p> <p>His vast experience and leadership in financial management will greatly benefit the National Irrigation Authority, bringing strategic insight and fostering sustainable,</p>
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		<p>accountable growth within the organization. His contributions are expected to advance the Authority’s objectives and enhance its impact on stakeholders and communities.</p>
<p>7.</p>	<p><b>ENG. CHARLES MUASYA, <i>MBS</i> – MANAGING DIRECTOR</b></p> 	<p><b>ENG. CHARLES MUASYA, <i>MBS</i> – MANAGING DIRECTOR</b></p> <p>Eng. Charles M. Muasya was appointed the Chief Executive Officer on December 7, 2023. He has a Masters in Civil Engineering from University of South Australia and BSc. Agricultural Engineering from Egerton University. He is a proficient Engineer with over 20 years of experience in the Engineering field. Preceding his appointment as Deputy General Manager, Infrastructure and Irrigation Development Services, he was the Chief Engineer for Planning and Design at the Authority. He is a registered Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of Institution of Engineers of Kenya (MIEK), AUSI-AID Ex-participants and JICA Ex-Participants.</p>

8.	<p><b>MS. JULLYANNE AWINO OKELLO –AG. CORPORATION SECRETARY</b></p> 	<p><b>MS. JULLYANNE AWINO OKELLO –AG. CORPORATION SECRETARY</b></p> <p>Ms. Jullyanne is the Ag. Corporation Secretary of the Authority since February 28, 2023. She provides Board Secretarial Duties and ensures that the Board has the resources required to fulfil its fiduciary duties. She is also heads the Monitoring and Evaluation function of the Institution. Ms. Okello has a Master of Business Administration from The University of Nairobi; Master of Science in Project Management from Jomo Kenyatta University of Agriculture and Technology and holds a Bachelor of Science from Kenyatta University.</p>
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## 4. Key Management Team

SN	Management	Details
1.	<p><b>ENG. CHARLES MUASYA, <i>MBS</i> – MANAGING DIRECTOR</b></p> 	<p><b>ENG. CHARLES MUASYA, <i>MBS</i> – MANAGING DIRECTOR</b></p> <p>Eng. Charles M. Muasya was appointed the Chief Executive Officer on December 7, 2023. He has a Masters in Civil Engineering from University of South Australia and BSc. Agricultural Engineering from Egerton University. He is a proficient Engineer with over 20 years of experience in the Engineering field. Preceding his appointment as Deputy General Manager, Infrastructure and Irrigation Development Services, he was the Chief Engineer for Planning and Design at the Authority. He is a registered Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of Institution of Engineers of Kenya (MIEK), AUSI-AID Ex-participants and JICA Ex-Participants.</p>
2.	<p><b>MR. JOEL KIPKEMBOI TANUI- DEPUTY GENERAL MANAGER – OPERATIONS.</b></p> 	<p><b>MR. JOEL KIPKEMBOI TANUI- DEPUTY GENERAL MANAGER – OPERATIONS.</b></p> <p>Mr. Tanui the Ag. Director Irrigation Management Services formerly Ag. Deputy General Manager, Operations and Irrigation Management Services of the National Irrigation Authority. He was appointed on February 1, 2023. He is in charge of all Irrigation Schemes in the country. Preceding his appointment, he served as the Scheme Manager, Western Kenya Schemes for 6 years and a Regional Co-ordinator, Nyanza Region for 2 years. Mr. Tanui holds a Master of Science in Agricultural Production Chain Management from Van Hall Laventein University, the Netherlands and a Master of Business Administration in Strategic Management from Maseno University. He holds a Certificate in Irrigated Rice Cultivation and Post-Harvest Management from Yamagata University, Japan; Post Graduate Fellowship in Irrigation and Water Resource</p>

		Management from University of Queensland, Australia as well as Diploma in Innovations Management from International Business Management Institute, Germany.
3.	<p><b>ENG. JAIRUS I. SEREDE- DEPUTY GENERAL MANAGER – OPERATIONS.</b></p> 	<p><b>ENG. JAIRUS I. SEREDE- DEPUTY GENERAL MANAGER – OPERATIONS.</b></p> <p>Eng. Jairus Imbenzi Serede was appointed Ag. Deputy Director, Irrigation Management Services on June 1, 2025 and heads Irrigation Management Services Directorate.</p> <p>He is an accomplished Irrigation Engineer and Water Resources Expert with over 15 years’ experience in Large-scale agricultural water infrastructure.</p> <p>He holds MSc Degree in Water Resources &amp; Environmental Management and BSc Agricultural Engineering both from Egerton University.</p> <p>He is a Registered Professional Engineer with EBK and IEK. As Director of Irrigation Management Services at NIA, he leads initiatives to boost agricultural productivity, strengthen food security, and advance climate-resilient irrigation through innovative technologies and strategic Public-Private Partnerships (PPs), aligning government priorities with private sector capabilities for sustainable development.</p>
4.	<p><b>CPA JEDIDAH NAROCHO ODUORI, HEAD OF FINANCE</b></p> 	<p><b>CPA JEDIDAH NAROCHO ODUORI, HEAD OF FINANCE</b></p> <p>CPA Jedidah was appointed as the Deputy Director Finance &amp; Accounts on January 1, 2021 and heads the Finance Division.</p> <p>Prior to this appointment, she had served in various capacities within the Finance and Audit Sections of the Authority both at the Head Office and in the Western Kenya Schemes.</p> <p>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 and a CPA (K) graduate.</p>

		<p>She has over 25 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. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>
<p>5.</p>	<p><b>MS. JULLYANNE AWINO OKELLO –AG. CORPORATION SECRETARY</b></p> 	<p><b>MS. JULLYANNE AWINO OKELLO –AG. CORPORATION SECRETARY</b></p> <p>Ms. Jullyanne is the Ag. Corporation Secretary of the Authority since February 28, 2023. She provides Board Secretarial Duties and ensures that the Board has the resources required to fulfil its fiduciary duties. She is also heads the Monitoring and Evaluation function of the Institution.</p> <p>Ms. Okello has a Master of Business Administration from The University of Nairobi; Master of Science in Project Management from Jomo Kenyatta University of Agriculture and Technology and holds a Bachelor of Science from Kenyatta University.</p>

**5. Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	MD	Eng. Charles Muasya, MBS.
3.	Ag. Director, Irrigation Management Services	Mr. Joel Kipkemboi Tanui.
4.	Ag. Director, Irrigation Management Services	Eng. Jairus I. Serede
5.	Head of Finance	CPA. Jedidah Narocho Oduori.

**6. Fiduciary Oversight Arrangements**

The MRM Board of directors provided fiduciary oversight arrangements of the company. This is due to the lean board that the company has.

**7. Chairman's Statement**

The financial year 2024/2025 witnessed a significant improvement of the Mwea Rice Mill Ltd on its social and financial status. The company was not only able to meet its financial obligation but was also able to invest idle funds in fixed deposit accounts.


The company has been able to exploit most of its financial opportunities in regard to the rice processing services at Mwea, Wang`uru, Kirinyaga County. This has resulted to a tremendous increase in its revenue collection compared to yester years. The investment sector also showed a tremendous increase in its revenue collection as compared to previous years.

What is important now is to keep 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 focus 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 measures 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 members of staff at large.

Finally, I take this opportunity to express my gratitude to all our customers, business partners, collaborators, management and all other stakeholders who have shown their trust in us and have extended their constant support.

Sign: .....  ..... Date: ..... 28/11/2025 .....

**ENG. GILBERT MUTUA MALUKI NDONYE**  
**CHAIRMAN OF THE BOARD**

**8. 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.


The Enterprise Resource Planning (ERP) system has greatly assisted the management in monitoring the financial performance of the company. This financial year 2024/2025 has proved that with proper management, the company can reclaim its dominance in the rice-business sector.

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

It is important to note that, MRM has delivered more human welfare benefits in ways not directly captured in the 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 from our shareholders. I also take this opportunity to appreciate the Board of Directors, Management and staff who have performed beyond expectations to ensure that we continue delivering quality goods/services in time, in full and in line with our core values.

Sign: .....  ..... Date: ..... 28/11/2024 .....

**ENG. CHARLES MUASYA, *MBS***  
**MANAGING DIRECTOR**

**9. Statement of Performance against Predetermined Objectives for FY 2024/25**

**Income generation**

During the financial year 2024/2025, the company had targeted to raise Ksh 128M from income generating activities i.e milling, sale of basmati rice, sale of bran, sale of chicken feed, sales of husk, storage, Rental and fixed deposit interest. The company was able to raise Ksh. 127.55M. This represented a score of 99.65% against the set target.

**Expenditure**

During the financial year 2024/2025, the company had targeted to use Ksh. 90M. However, due to the economic dynamics, the company spent Ksh. 90.96M. This resulted to a negative variance of Ksh. 0.96M.

The above indicate a growing company ready to reach its optimal height if well managed. There is no doubt that the management will put extra effort to seeing that the company reaches its optimal height in order to increase the shareholders wealth.

## **10. 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 for Mwea Rice Mills Ltd comprises of seven (7) directors namely;

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

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 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. Overseeing the Company, including providing leadership and setting its objectives.
- ii. Representing and serving the interests of shareholders by overseeing and appraising the company's business plan, policies and performance.

- iii. Approving and monitoring the progress of major capital expenditure.
- iv. Approving budgets.
- v. Approving and monitoring systems of risk management, internal control, codes of conduct accountability and legal compliance to ensure appropriate compliance framework and controls are in place.
- vi. Approving and monitoring the corporate, financial and other reporting systems of Mwea Rice Mills Limited;
- vii. Adopting appropriate procedures to ensure compliance with Government laws, governmental regulations and accounting standards.

### **Board meetings**

The Board of Mwea Rice Mills Limited has four scheduled meetings every year; the meetings are held in each quarter of the year. In these meetings the Board reviews the company's performance against the planned activities and also approve issues of strategic nature. In the period under review, the board met 5 times.

### **Directors' Remuneration**

The remuneration for directors consists of sitting allowance, lunch allowance, accommodation allowance, travel expense and airtime allowance.

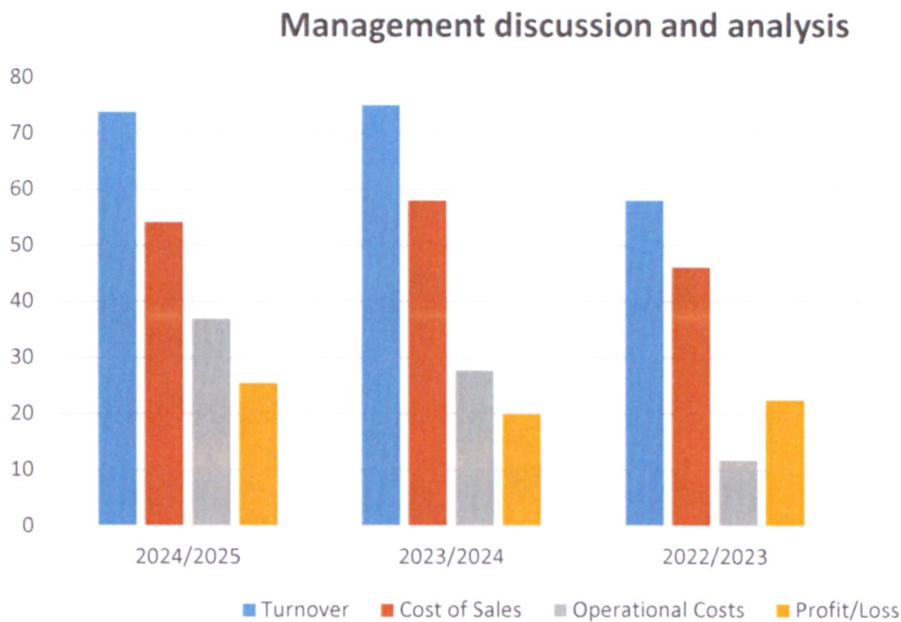
### **Communication with stakeholders**

Mwea Rice Mills Limited has in place an internal Communication mechanism that sets out the standards of communication expected of the Company by its Stakeholders. It ensures that the Company proactively supplies relevant information to Stakeholders while aiming at enhancing transparency and accountability.

**11. Management Discussion and Analysis**

The Company’s turnover increased from Kshs. 58,809,583 in the financial year 2022/2023 to Kshs. 75,901,792 in the financial year 2023/2024. However, the turnover decreased to Kshs. 73,770,963 in the current financial year under review. This represents 2.81% decrease when compared to the previous year. On the other hand, cost of sales increased from Kshs. 46,117,978 in the financial year 2022/2023 to Kshs. 58,459,457 in the financial year 2023/2024. However, this decreased to Kshs. 54,161,188 in the current year under review, representing 7.35% decrease. Further, the operational costs increased from Kshs. 11,743,641.00 in the financial year 2022/2023 to Kshs. 27,729,602 in the financial year 2023/2024 and increased to Kshs. 36,851,433 in the current year under review, representing 32.90% increase. As indicated in the chart, the net profits decreased from Kshs. 22,530,745 in the year 2022/2023 to Kshs. 19,907,810 in the financial year 2023/2024. However, this increased to Kshs. 25,443,455 in the current year under review, representing 27.81% increase. This information is highlighted, in the form of a bar chart below.

**Figure 1: Y Axis represents Kshs. In Millions**



## **12. Environmental and Sustainability Reporting**

Mwea Rice Mills Ltd. exists to transform lives. This is our purpose, and the driving force behind everything we do. It is what guides us to deliver our business plan and strategic plan, 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 to lack of business competition. The company used to mill and market the National Irrigation Authority's (then National Irrigation Board) paddy and sell to government institutions and business customers. This 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 are Mwea Rice Growers Multipurpose, Nice Millers, and RIA Millers among others. Due to this, the company faced tough competition from those rice millers making its sustainability uncertain. This pushed 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 2023/2024 the company was able to realise a profit of Kshs.19.9M after tax besides meeting its financial obligations over the period. The management has instituted several measures intended for upgrading its net profits. 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 checks and balances in the organization in order to safeguard customer's paddy which made some other millers to seek milling services from MRM. This in no doubt will impact positively on the sustainability of the company.
- iii. The macroeconomic measures undertaken in 2022/2023 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 off and burnt down

Below are the outlined successes of the policy;

- i. The company was able to dispose off all 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.
- 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 is disposed off appropriately without causing environmental hazard to the public.
- ii. Employees and customers of the company work in clean and safe environment.
- iii. Trees are planted on all unutilized land that belong to the company in order to boost the country's forest cover by 10% as directed by the government.
- iv. There shall be a continuous check of any material/materials that may impact negatively on 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 the staff are drawn from the farming communities and the farmers' cooperative in order to give them a sense of belonging and ownership.
- ii. 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 retire.
- iii. 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.
- iv. In compliance with Occupational Health and Safety Act, MRM in collaboration with the Public Health. MRM has ensured that health standards are met and periodical inspections and certification of the facility has been up to date.
- v. 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 endeavoured to winning customers by practicing honesty, accountability, reliability, respect and safety measures. This has enabled the company to have a competitive edge over her competitors.

**(b) Responsible Supply Chain and Supplier Relations**

MRM ensures that its suppliers are paid in time. This has enabled customers to have confidence in the company's supply chain.

**(c) Responsible Marketing and advertisement**

MRM has been promoting its products to farmers in a responsible way, both through public meetings and by using banners at its retail outlet shop at Wang'uru in Mwea, Kirinyaga County.

**(d) Product Stewardship**

MRM products are known by a wide range of consumers who come to buy from the factory and at NIA Head office. 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 in offering its services. It also assists with material donation to the less fortunate class of the society. Such materials have been in form of firewood, foodstuff supplied to children`s homes, and sport activities provided to young people within the community.

**13. Report of the Directors**

The directors submit the annual report together with the financial statements for the year ended June 30, 2025, which show the state of affairs of MRM Ltd.

**i) Principal activities**

The principal activities of the entity are processing and marketing of milled white rice and the By-products from paddy purchased mainly from Mwea Irrigation Scheme.

**ii) Results**

The results of the entity for the year ended June 30, 2025, are set out on pages 1 to 6.

**iii) Dividends**

The directors recommended the payment of a first and final dividend for the previous financial year of Kshs. 22.42 per ordinary share, amounting to Kshs. 11,265,371 which was paid in the current financial year under review. This is subject to withholding tax where applicable.

**iv) Directors**

The members of the board of directors who served during the year are shown on page vi to xi.

**v) Auditors**

The Auditor-General is responsible for the statutory audit of MRM in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 and no Certified Public Accountants were nominated by the Auditor General to carry out the audit of *Mwea Rice Mills Limited Company* for the year/period ended June 30, 2025, in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

.....

**Ms. Jullyane Okello Awino**

**Ag. Company Secretary**

**Date** 28/11/2025

#### **14. Statement of Directors' Responsibilities**

Section 81 of the PFM Act, 2012 and Companies Act, 2015 require the Directors to prepare financial statements in respect of Mwea Rice Mills Ltd.. 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 for the same year/period. The Directors are also required to ensure that the Mwea Rice Mills Ltd. 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 Board's responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that this 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 entity.
- (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 entity.
- (v) Selecting and applying appropriate accounting policies.
- (vi) Making accounting estimates that are reasonable in the circumstances.

Mwea Rice Mills Ltd. 's financial statements 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.

**Mwea Rice Mills Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Statement of Directors' Responsibilities (Continued)**

The Directors are of the opinion that the Mwea Rice Mills Ltd.'s financial statements give a true and fair view of the state of affairs of Mwea Rice Mills Ltd.'s transactions and financial performance during the financial year ended June 30, 2025. The Directors further confirm the completeness of the accounting records maintained for the Mwea Rice Mills Ltd., which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial controls.

In preparing the financial statements, the directors have assessed the entity's ability to continue as a going concern.

Nothing has come to the attention of the directors to indicate that *Mwea Rice Mills Limited* will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

*Mwea Rice Mills Ltd.*'s annual report & financial statements were approved by the Board on 28/11/ 2025 and signed on its behalf by:



.....  
**Eng. Gilbert Mutua Maluki Ndonye**  
**Chairman of the Board**



.....  
**Eng. Charles Muasya, MBS**  
**Managing Director**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON MWEA RICE MILLS LIMITED FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 48, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other comprehensive income,

statement of changes in equity, statement of cash flows and 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 at 30 June, 2025 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. Inaccuracies in Other Income**

The statement of profit or loss and other comprehensive income reflects other income of Kshs.32,288,648 which includes investment income of Kshs.25,855,932 as disclosed in Note 9 to the financial statement. The income relates to rental proceeds earned from two properties owned by the Company and located within Nairobi County. Review of the tenancy and lease agreements indicated that the total rental income expected for the year under review was Kshs.24,827,589. However, an amount of Kshs.25,855,932 was recognized as income in the financial statements resulting in a variance of Kshs.1,028,343 which has not been explained or reconciled.

In the circumstances, the accuracy and completeness of investment income amount of Kshs.25,855,932 could not be confirmed.

#### **2. Unsupported Long Outstanding Staff Receivable**

The statement of financial position reflects trade and other receivables balance of Kshs.12,652,705 which includes staff receivables balance of Kshs.1,653,300 as disclosed in Note 19 to the financial statements. Review of the balance revealed that it relates to staff imprests that had remained outstanding for a long period. Further, Management did not provide the imprest warrants and approvals to support the amounts advanced to the members of staff.

In the circumstances, the accuracy and completeness of staff receivables balance of Kshs.1,653,300 could not be confirmed.

#### **3. Irregularities in Trade and other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.45,765,546. However, Note 28 to the financial statements discloses trade and other payables balance of Kshs.56,669,884 leading to unexplained and unreconciled variance of Kshs.10,904,338. In addition, trade and other payables balance includes Kshs.37,366,906 payable to the National Irrigation Authority for administration and accountancy fees. Review of the administration and accountancy fee agreement

between Mwea Rice Mills Limited and the National Irrigation Authority revealed that Mwea Rice Mills Limited is required to remit an amount equivalent to 3% of its total turnover at the end of each financial year to the National Irrigation Authority. However, the liability has remained outstanding for an extended period and no explanation was provided for the non-clearance of the debt.

In the circumstances, the accuracy, completeness and regularity of trade and other payables balance of Kshs.45,739,581 could not be confirmed. In addition, the Management was in breach of the law.

#### **4. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects an original and final revenue and expenditure budget of Kshs.128,000,000 and Kshs.90,000,000 respectively. Further, the statement did not reflect the capital budget. However, examination of a Board Paper revealed that the Board had approved a revenue budget of Kshs.130,627,872, an expenditure budget of Kshs.73,261,801 and a capital budget of Kshs.90,025,000. This was confirmed through Board Meeting Minutes which also included an additional capital allocation of Kshs.1,500,000 for the development of a strategic plan increasing the capital budget to Kshs.91,525,000. This resulted to unexplained variances of Kshs.2,627,872, Kshs.16,738,199 and Kshs.91,525,000 for revenue, expenditure and capital budget respectively.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

#### **5. Inaccuracy in the Statement of Cash Flows**

The statement of cash flows reflects net generated from operating activities of Kshs.46,487,570 while Note 30 to the financial statements discloses cash generated from operations balance of Kshs.55,019,488 leading to unexplained and unreconciled variance of Kshs.8,531,918.

In the circumstances, the accuracy of the statement of cash flows 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 the 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 judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## Other Matter

### Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Factory in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Trade and Other Receivables
2	2023/2024	Other Income
3	2022/2023	Unsupported Capital Fund for Mill Rehabilitation
4	2022/2023	Long Outstanding GoK Levy Payable to NIA
5	2023/2024	Long Outstanding Trade and Other Payables
6	2023/2024	Lack of Gender Diversity in the Board
7	2022/2023	Irregular Engagement of Casuals Workers
8	2022/2023	Lack of an Approved Staff Establishment.
9	2023/2024	Lack of Strategic Plan
10	2023/2024	Failure to Tag Company Assets

### Other Information

The Management is responsible for the Other Information set out on page iii to xxx which comprise the Key Entity Information, The Board of Directors, Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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**

### **Irregular Cash Purchases**

The statement of profit or loss and other comprehensive income reflects administrative costs amount of Kshs.36,851,433. Examination of payment records revealed cash purchases of goods and services amounting to Kshs.5,521,908. It was not clear why Management did not apply the alternative procurement methods prescribed under Section 91 of the Public Procurement and Asset Disposal Act, 2015, and instead procured the above goods and services through direct cash purchases, despite the costs exceeding the prescribed threshold of Kshs.50,000 per item per annum. This was contrary to Section 107(b) of the Public Procurement and Asset Disposal Act, 2015 which states that, a procurement entity may use low value procurement procedure if the estimated value of the goods, works or non-consultancy services being procured are less than or equal to the maximum value per financial year for that low value procedure as may be prescribed.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 effect of 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 governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of Strategic Plan**

Audit review revealed that the Factory lacked an approved strategic plan to support budget proposals during the year under review. The absence of a formal strategic plan raises concerns about the Company's capacity to effectively manage its operations and align its activities with long-term goals and objectives. Further, it reduces accountability due to the absence of clearly defined and measurable performance

targets, and undermines compliance with governance and public financial management requirements. In addition, it undermines compliance with governance and public financial management requirements.

In the circumstances, the strategic steps necessary to determine the direction of the Company to undertake its mandate, its objectives and goals could not be ascertained.

## **2. Lack of Required Governance and Operational Policies**

The Factory has not developed or established key governance and operational policies as required under the Companies Act, 2015 and good corporate governance practices. The missing policies include Board charter, code of conduct and ethics, human resource policy, occupational health and safety policy, succession planning policy, procurement policy and environment and sustainability policy.

Management has not prioritized policy formulation and approval, leading to non-compliance, weak governance, increased risks and ineffective accountability.

In the circumstances, the effectiveness of internal controls, risk management and governance in the Factory could not be confirmed.

## **3. Lack of an Approved Staff Establishment**

During the year under audit, it was observed that the Company did not have an approved staff establishment as well as a Human Resource plan/policy. Management therefor failed to plan and comprehensively determine the entity's human resources need.

In the circumstances, lack of an approved staff establishment implies that the Company could not identify its human resources capacity gaps and the commensurate skills and qualifications which are lacking.

## **4. Lack of Segregation of Duties**

Review of the Company's organizational structure and operations revealed multiple unfilled key positions, including Accounts Assistant, Production and Marketing Supervisor, Administration Officer, Marketing Assistant, Store Supervisor, Cashier, and Mechanic, with procurement being managed by a casual employee. Staffing at the milling factory is insufficient to ensure proper segregation of duties, with a single employee handling administration and human resources tasks, while the accounts clerk simultaneously manages cash book postings, cheque writing and cashier duties.

In the circumstances, effectiveness of the internal controls, risk management and governance in the Factory could not be confirmed.

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 controls, 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

### **Conclusion**

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. The information given in the Directors' report on page xxvii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 24 has been properly prepared in accordance with the Companies Act, 2015.

### **Basis for Conclusion**

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the 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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Factory's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply 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 Factory'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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**18 December, 2025**

**Mwea Rice Mills Limited****Annual Report and Financial Statements for the year ended June 30, 2025****16. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30<sup>th</sup> June 2025.**

<b>Description</b>	<b>Note</b>	<b>2024/2025</b>	<b>2023/2024</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Revenues</b>			
Revenue from Contracts with Customers	6	73,770,963	75,901,792
Cost of sales	7	(54,161,188)	(58,459,457)
<b>Gross profit</b>		<b>19,609,775</b>	<b>17,442,335</b>
<b>Other income</b>			
Finance income	8	21,300,803	8,333,366
Other income	9	32,288,648	30,393,629
<b>Total revenues</b>		<b>73,199,226</b>	<b>56,169,330</b>
<b>Operating expenses</b>			
Administration costs	10	36,851,433	27,729,602
<b>Total operating expenses</b>		<b>36,851,433</b>	<b>27,729,602</b>
<b>Profit/(loss) before taxation</b>		<b>36,347,793</b>	<b>28,439,728</b>
<b>Income tax expense/(credit)</b>	12	10,904,338	8,531,918
<b>Profit/(loss) after taxation</b>		<b>25,443,455</b>	<b>19,907,810</b>
<b>Total comprehensive income for the year</b>		<b>25,443,455</b>	<b>19,907,810</b>

**Mwea Rice Mills Limited**

**Annual Report and Financial Statements for the year ended June 30, 2025**

**17. Statement of Financial Position as at 30 June 2025**

<b>Description</b>	<b>Note</b>	<b>2024/2025</b>	<b>2023/2024</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant And Equipment	15	223,835,517	232,968,972
Investment Property	16	540,622,948	550,687,552
Biological Assets	17	9,400,000	9,400,000
<b>Total Non-Current Assets</b>		<b>773,858,465</b>	<b>793,056,524</b>
<b>Current Assets</b>			
Inventories	18	16,536,906	17,075,502
Trade And Other Receivables	19	12,652,705	6,381,444
Tax Recoverable	20	-	1,952,021
Bank And Cash Balances	21	225,046,667	190,450,568
<b>Total Current Assets</b>		<b>254,236,279</b>	<b>215,859,534</b>
		<b>1,028,094,744</b>	<b>1,008,916,058</b>
<b>Equity And Liabilities</b>			
<b>Capital And Reserves</b>			
Ordinary Share Capital	22	5,000,000	5,000,000
Revaluation Reserve	23	801,879,498	811,944,102
General Reserve	24	8,700,000	8,700,000
Retained Earnings	25	81,197,458	48,594,082
Capital fund For Mill Rehabilitation	26	52,610,534	52,610,534
<b>Capital And Reserves</b>		<b>949,387,490</b>	<b>926,848,718</b>
<b>Non-Current Liabilities</b>			
Government Levy	27	22,037,370	22,037,370
<b>Total Non-Current Liabilities</b>		<b>22,037,370</b>	<b>22,037,370</b>
<b>Current Liabilities</b>			
Trade And Other Payables	28	45,765,546	40,232,681
Dividends Payable	29	-	11,265,371
Tax Payable	12	10,904,338	8,531,918
<b>Total Current Liabilities</b>		<b>56,669,884</b>	<b>60,029,970</b>
<b>Total Equity And Liabilities</b>		<b>1,028,094,744</b>	<b>1,008,916,058</b>

**Mwea Rice Mills Limited**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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The financial statements were approved by the Board on 28/11/ 2025 and signed on its behalf by:



.....  
**Eng. Gilbert M. Maluki**  
**Chairman of the Board**



.....  
**Eng. Charles Muasya, MBS**  
**Managing Director**



.....  
**CPA. Jedidah N. Oduori**  
**Head of Finance**  
**ICPAK M/NO: 29724**

**Mwea Rice Mills Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**18. Statement of Changes in Equity for the year ended 30 June 2025**

Description	Ordinary share capital	Revaluation reserve	General reserve	Retained earnings	Capital/ Development Grants/Fund	Total
As at July 1, 2023 (Previous FY)	5,000,000	821,918,150	8,700,000	39,951,643	52,610,534	928,180,327
Amortization	-	(9,974,049)	-	-	-	(9,974,049)
Profit for the year	-	-	-	19,907,810	-	19,907,810
Proposed final dividends	-	-	-	(11,265,371)	-	(11,265,371)
At June 30, 2024 (Previous FY)	5,000,000	811,944,101	8,700,000	48,594,082	52,610,534	926,848,717
As at July 1, 2024 (Current FY)	5,000,000	811,944,101	8,700,000	48,594,082	52,610,534	926,848,717
Retained earnings Adjustment	-	-	-	7,159,921	-	7,159,921
Amortization	-	(10,064,604)	-	-	-	(10,064,604)
Profit for the year	-	-	-	25,443,455	-	25,443,455
Proposed final dividends	-	-	-	-	-	-
At June 30, 2025 (Current FY)	5,000,000	801,879,497	8,700,000	81,197,458	52,610,534	949,387,489

The reinstatement of retained earnings mentioned above relates to the following table:

Description	Debit	Credit
Reversal of stale cheques paid to Kenya Power		5,979
Correction of erroneous purchase invoices and liabilities that were already settled but continue to appear in the books of accounts.		275,703.80
Adjustment for income tax provisions already settled in the financial year under review		8,898,496
Journalization of tax refunds applied during submission of tax returns.	1,952,021	
Being correction of erroneous Receivable in the books of accounts	108,736	
Adjustment of depreciation for Plant and Machinery (Asset No. FA_00005) relating to previous financial years that was erroneously not charged.	68,237	
<b>Total</b>		<b>7,159,921</b>

## 19. Statement of Cash Flows for the year ended 30 June 2025

Description	Note	2025	2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Cash generated from/(used in) operations</b>	30	55,019,488	37,772,933
Taxation paid		(8,531,918)	-
<b>Net cash generated from/(used in) operating activities</b>		<b>46,487,570</b>	<b>37,772,933</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(626,100)	(69,000)
<b>Net cash generated from/(used in) investing activities</b>		<b>(626,100)</b>	<b>(69,000)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(11,265,371)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>(11,265,371)</b>	<b>-</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>34,596,099</b>	<b>37,703,935</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>190,450,568</b>	<b>152,746,633</b>
<b>Cash and cash equivalents at end of the year</b>	30	<b>225,046,667</b>	<b>190,450,568</b>

**Mwea Rice Mills Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**20. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2025**

<b>Description</b>	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% of utilization</b>
	<b>a</b>	<b>b</b>	<b>c = a + b</b>	<b>d</b>	<b>E= c - d</b>	<b>d/c%</b>
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>100%</b>
Sale of goods	28,542,672	(542,672)	28,000,000	27,958,456	41,544	100%
Sale of services	46,585,200	(585,200)	46,000,000	45,812,507	187,493	100%
Finance income	21,750,000	(750,000)	21,000,000	21,300,803	(300,803)	101%
Other income	33,750,000	(750,000)	33,000,000	32,288,648	711,352	98%
<b>Total income</b>	<b>130,627,872</b>	<b>(2,627,872)</b>	<b>128,000,000</b>	<b>127,360,414</b>		<b>100%</b>
<b>Expenses</b>						
Compensation of employees	6,350,000	150,000	6,500,000	6,268,738	231,262	96%
Use of goods and services	54,234,801	5,765,199	60,000,000	61,253,058	(1,253,058)	102%
Other payments	23,200,000	300,000	23,500,000	23,490,825	9,175	100%
<b>Total expenditure</b>	<b>83,784,801</b>	<b>6,215,199</b>	<b>90,000,000</b>	<b>91,012,621</b>	<b>(1,012,621)</b>	<b>101%</b>
<b>Surplus for the period</b>	<b>46,843,071</b>	<b>(8,843,071)</b>	<b>38,000,000</b>	<b>36,347,793</b>		<b>96%</b>

## **21. Notes to the Financial Statements**

### **1. General Information**

Mwea Rice Mills Ltd is established by and derives its authority and accountability from Companies Act Cap. 486. The company is partially owned by the Government (National Irrigation Authority- 55%) and the farmers under their Co-operative Societies (MRGM – 45%) and is domiciled in Kenya. The Company's principal activity is processing and marketing of milled white rice and the By-products.

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.

The pricing of goods and services offered by MRM Ltd will be determined by management committee appointed by the MD.

Debts shall be recognized as doubtful and provided for if they remain outstanding for more than 5 years.

### **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 company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 5*. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Mwea Rice Mills Ltd., and all values are rounded off to the nearest Kenya shillings.

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

The finance policy and procedure manual has also been considered in preparation of these financial statements.

## Notes to the Financial Statements (Continued)

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

i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> <li>i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and</li> <li>iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.</li> </ul>	1 January 2026

*(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 2024.**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

*iii. Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year.

**Notes to the Financial Statements (Continued)**

**4. Summary of Accounting Policies**

The principle accounting policies adopted in the preparation of these financial statements are 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 recognized in the year in which the *company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognized in the year in which the *company* 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.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

**Summary of Accounting Policies**

**b) In-kind contributions**

In-kind contributions are donations that are made to the company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**c) Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at 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.

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 recognized in profit or loss in the income statement.

Any income from sell of biological assets will be treated as miscellaneous income. However, gain or loss on disposal will be recognized on the disposal of the entire asset.

**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 cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized 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, as guided by National Treasury policy on assets depreciation are:

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Freehold Land	Nil	Nil
Buildings and civil works	25	4%
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.33%
Office equipment, furniture and fittings	8	12.5%

A full year's depreciation charge is recognized 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

**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.

**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) Biological Assets**

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

**i) 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.

**j) 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. These bonds are measured at amortized cost/ at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL). The company did not trade in any Interest investments during the financial year under review.

**k) Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value through profit or loss (FVTPL).

**Summary of Accounting Policies**

**l) Unquoted investments**

Unquoted investments are measured at fair value through profit or loss (FVTPL). The company did not trade in any interest investments during the year under review

**m) 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 been incurred 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.

**n) Trade and other receivables**

Trade and other receivables are recognized at amortized cost 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.

Debts shall be recognized as doubtful and provided for if they remain outstanding for more than 5 years.

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies**

**o) 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.

**p) 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.

**q) 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 effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. 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.

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash in 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.

**s) 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 of 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.

**t) 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.

**u) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2022. 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 Kshs. 1,080.00 per employee per month.

**v) Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

**w) 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.

**x) Budget information**

The original budget for FY 2024/2025 was approved by the Board. Subsequent revisions or additional appropriations were made to the approved 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 6 of these financial statements.

**Notes to the Financial Statements (Continues)**

**y) 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.

**z) Comparative figures**

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

**aa) 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, 2025.

**5. Significant Judgments 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.

State all judgements, estimates and assumptions made: e.g.

**Notes to the Financial Statements (Continues)**

**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 Entity. 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 Entity
- 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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. 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.

Notes to the Financial Statements (Continues)

6. Revenue from contract with customers

Description	2024/2025	2023/2024
	Kshs	Kshs
Sale Of Goods	27,958,456	30,151,326
Sale Of Services	45,812,507	45,750,466
<b>Total</b>	<b>73,770,963</b>	<b>75,901,792</b>

7. Cost of Sales

Description	2024/2025	2023/2024
	Kshs	Kshs
Cost of sales on goods	46,290,939	48,907,474
Cost of sales on services	7,870,249	9,551,983
<b>Total</b>	<b>54,161,188</b>	<b>58,459,457</b>

8. Finance Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Interest from commercial banks and financial institutions	21,300,803	8,333,366
<b>Total</b>	<b>21,300,803</b>	<b>8,333,366</b>

9. Other Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Investment Income	25,855,932	24,821,847
Rental Income	4,140,108	3,874,522
Other Miscellaneous Receipts	2,292,608	1,697,260
<b>Total</b>	<b>32,288,648</b>	<b>30,393,629</b>

**Notes to the Financial Statements (Continued)**

**10. Administration Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Staff costs (note (10a))	6,268,738	3,635,504
Directors' emoluments	574,800	546,000
Electricity and water	188,910	333,327
Communication services and supplies	311,500	344,000
Transportation, travelling and subsistence	1,042,110	1,198,436
Advertising, printing, stationery and photocopying	320,653	154,386
Rent expenses	453,750	607,950
Hospitality supplies and services	113,000	24,500
Bank charges and commissions	75,222	82,694
Office and general supplies and services	1,240,363	1,011,224
Auditors' remuneration	348,000	348,000
Legal fees	-	616,980
Licenses and permits	150,000	-
Repairs and maintenance	1,864,032	2,149,780
Staff training expenses	87,000	
Depreciation	271,730	319,590
Provision for bad and doubtful debts	50,800	10,485,880
Other Operating Expenses	23,490,825	5,871,351
<b>Total</b>	<b>36,851,433</b>	<b>27,729,602</b>

Notes to the Financial Statements (Continued)

10(a) Staff Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries and allowances of permanent employees	5,641,863	2,486,468
Employer's contributions to national social security schemes	345,445	421,782
Leave pay	164,422	36,857
Gratuity provisions	32,800	511,405
Affordable Housing Levy Employer	84,208	178,992
<b>Total</b>	<b>6,268,738</b>	<b>3,635,504</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees	16	4
Temporary and contracted employees	29	42
<b>Total</b>	<b>45</b>	<b>46</b>

## Notes to the Financial Statements (Continued)

## 11. Operating Profit/ (Loss)

Description	2024/2025	2023/2024
	Kshs	Kshs
<b>The operating profit/(loss) is arrived at after charging/(crediting):</b>		
Staff Costs (Note 10a)	6,268,738	3,635,504
Depreciation of property, plant and equipment	9,759,555	9,652,342
Directors' emoluments – fees	574,800	546,000
Auditors' remuneration - current year fees	348,000	348,000
Rent receivable	(4,140,108)	(3,874,522)

## 12. Income Tax Expense/(Credit)

## a) Income tax charge/ credit

Description	2024/2025	2023/2024
	Kshs	Kshs
Current taxation based on the adjusted Profit for the year at 30%	10,904,338	8,531,918
<b>Total</b>	<b>10,904,338</b>	<b>8,531,918</b>

## b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

Description	2024/2025	2023/2024
	Kshs	Kshs
Profit before taxation	36,347,793	28,439,728
Tax at the applicable tax rate of 30%	10,904,338	8,531,918
<b>Total</b>	<b>47,252,131</b>	<b>36,971,646</b>

## 13. Earnings Per Share

There were not dilutive or potentially dilutive ordinary share as at the reporting date.

## 14. Dividend per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM).

Notes to the Financial Statements (Continued)

15. Property, Plant and Equipment

Description	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Workshop tool	Sewerage Disposal	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Cost or valuation</b>									
As At 1 <sup>st</sup> July 2023	34,000,000	220,373,421	121,124,558	2,871,999	3,152,152	1,787,425	223,961	2,080,313	385,613,829
Prior year Adjustment									-
Additions			29,000			40,000			69,000
<b>As At 30<sup>th</sup> June 2024</b>	<b>34,000,000</b>	<b>220,373,421</b>	<b>121,153,558</b>	<b>2,871,999</b>	<b>3,152,152</b>	<b>1,827,425</b>	<b>223,961</b>	<b>2,080,313</b>	<b>385,682,829</b>
<b>Depreciation</b>									
At July 1, 2023	-	17,607,501	118,035,285	2,425,380	3,010,913	1,764,769	217,667	-	143,061,515
Prior year Adjustment	-	-	-	-	-	-	-	-	0
Charge for the year	-	8,815,905	516,847	223,000	90,248	48	6,294	-	9,652,342
<b>As At 30<sup>th</sup> June 2024</b>	<b>-</b>	<b>26,423,406</b>	<b>118,552,132</b>	<b>2,648,380</b>	<b>3,101,161</b>	<b>1,764,817</b>	<b>223,961</b>	<b>-</b>	<b>152,713,857</b>
<b>Net book value at June 30, 2024</b>	<b>34,000,000</b>	<b>193,950,015</b>	<b>2,601,426</b>	<b>223,619</b>	<b>50,991</b>	<b>62,608</b>	<b>-</b>	<b>2,080,313</b>	<b>232,968,972</b>

**Mwea Rice Mills Limited**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025**

**Notes To The Financial Statements (Continued)**

**Property, Plant and Equipment (Continued)**

<b>Description</b>	<b>Freehold land</b>	<b>Buildings &amp; civil works</b>	<b>Plant and machinery</b>	<b>Motor vehicles, including, motor cycles</b>	<b>Computers &amp; related equipment</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>Workshop tool</b>	<b>Sewerage Disposal</b>	<b>Total</b>
<b>Cost or valuation</b>									
As At 1 <sup>st</sup> July 2024	34,000,000	220,373,421	121,153,558	2,871,999	3,152,152	1,827,425	223,961	2,080,313	385,682,829
Prior year Adjustment									-
Additions			577,000			49,100			626,100
<b>As At 30<sup>th</sup> June 2025</b>	<b>34,000,000</b>	<b>220,373,421</b>	<b>121,730,558</b>	<b>2,871,999</b>	<b>3,152,152</b>	<b>1,876,525</b>	<b>223,961</b>	<b>2,080,313</b>	<b>386,308,929</b>
<b>Depreciation</b>									
At July 1, 2024	-	26,423,406	118,552,132	2,648,380	3,101,161	1,764,817	223,961	-	152,713,857
Prior year Adjustment	-								-
Charge for the year	-	8,841,991	645,834	223,000	37,996	10,734	-		9,759,555
<b>As At 30<sup>th</sup> June 2025</b>	<b>-</b>	<b>35,265,397</b>	<b>119,197,966</b>	<b>2,871,380</b>	<b>3,139,157</b>	<b>1,775,551</b>	<b>223,961</b>	<b>-</b>	<b>162,473,412</b>
<b>Net book value At June 30, 2025</b>	<b>34,000,000</b>	<b>185,108,024</b>	<b>2,532,592</b>	<b>619</b>	<b>12,995</b>	<b>100,974</b>	<b>-</b>	<b>2,080,313</b>	<b>223,835,517</b>

**Valuation**

Land and buildings were valued by Ministry of Lands and Physical Planning independent valuer on Gross current replacement cost basis of valuation. These amounts were adopted on 1<sup>st</sup> July 2021.

**Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	34,000,000	-	34,000,000
Buildings	220,373,421	35,265,397	185,108,024
Plant And Machinery	121,730,558	119,197,966	2,532,592
Motor Vehicles, Including Motorcycles	2,871,999	2,871,380	619
Computers And Related Equipment	3,152,152	3,139,157	12,995
Office Equipment, Furniture, And Fittings	1,876,525	1,775,551	100,974
Workshop tool	223,961	223,961	-
Sewerage Disposal	2,080,313	-	2,080,313
	<b>386,308,929</b>	<b>162,473,412</b>	<b>223,835,517</b>

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost Valuation	Normal Annual Depreciation charge
	Kshs	Kshs
Workshop tools	223,961	223,961
<b>Total</b>	<b>223,961</b>	<b>223,961</b>

Notes To The Financial Statements (Continued)

16. Investment Property

Description	2024/2025	2023/2024
	Kshs	Kshs
<b>Opening Valuation</b>	582,661,631	582,661,631
Prior year Adjustment		
<b>Movements During The Year</b>		
Revaluation		
<b>Closing Valuation</b>	582,661,631	582,661,631
<b>Depreciation (If At Cost)</b>		
<b>At July 1</b>	31,974,079	22,000,030
Prior year Adjustment		
Charge For The Year	10,064,604	9,974,049
<b>At June 30</b>	42,038,683	31,974,079
<b>Net Book Value</b>		
At June 30	540,622,948	550,687,552

17. Biological Assets

Description	2024/2025	2023/2024
	Kshs	Kshs
Trees in a plantation forest	9,400,000	9,400,000
<b>Total</b>	9,400,000	9,400,000

18. a) Inventories

Description	2024/2025	2023/2024
	Kshs	Kshs
Raw materials	6,687,991	8,460,544
Finished goods	1,849,280	687,850
<b>Subtotal</b>	8,537,271	9,148,394

18 b) Consumables

Description	2024/2025	2023/2024
	Kshs	Kshs
Engineering stores	7,810,032	7,810,032
Stationery and general stores	189,603	117,076
<b>Subtotal</b>	7,999,635	7,927,108

Details of inventory movement

Description	2024/2025	2023/2024
	Kshs	Kshs
At the beginning of the year	17,075,502	18,688,939
Additional Inventory during the year	1,233,957	2,652,111
Inventory consumed through P&L	(1,772,553)	(4,265,548)
At the end of the year	<b>16,536,906</b>	<b>17,075,502</b>

19. Trade and Other Receivables

Description	2024/2025	2023/2024
	Kshs	Kshs
Trade Receivables (Note 19 (a))	21,473,877	15,119,415
Deposits and prepayments	80,920	80,920
Staff receivables (Note 19 (c))	1,653,300	1,685,700
Other Receivables	-	-
<b>Gross Trade and Other Receivables</b>	<b>23,208,097</b>	<b>16,886,035</b>
Provision for Bad And Doubtful Receivable	(10,555,392)	(10,504,592)
Write-off of bad debts	-	-
<b>Net Trade and Other Receivables</b>	<b>12,652,705</b>	<b>6,381,444</b>

19 (a) Trade Receivables

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross Trade Receivables	23,208,097	16,886,035
Provision for Doubtful Receivables	(10,555,392)	(10,504,592)
Net Trade Receivables	<b>12,652,705</b>	<b>6,381,444</b>
<b>ageing analysis of gross Trade Receivables</b>		
Less than 30 Days	7,175,383	22,400
Between 30 and 60 Days	-	1,663,008
Between 61 and 90 Days	-	-
Between 91 and 120 Days	-	-
Over 120 Days	16,032,714	17,152,648
<b>Total</b>	<b>23,208,097</b>	<b>18,838,056</b>

**19 (b) Reconciliation of Impairment Allowance for Trade Receivables**

Description	2024/2025	2023/2024
	Kshs	Kshs
At the beginning of the year	10,504,592	-
Additional provisions during the year	50,800	10,504,592
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	<b>10,555,392</b>	<b>10,504,592</b>

**19 (c) Staff Receivables**

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross staff loans and advances	1,653,300	1,685,700
Net staff loans	<b>1,653,300</b>	<b>1,685,700</b>
Amounts due after one year	1,653,300	1,685,700

**20. Tax Recoverable**

Description	2024/2025	2023/2024
	Kshs	Kshs
At beginning of the year	-	1,952,021
At end of the year	-	1,952,021

**21. Bank and Cash Balances**

Description	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	225,046,667	190,449,568
Cash in hand	-	1,000
<b>Total</b>	<b>225,046,667</b>	<b>190,450,568</b>

**Detailed analysis of the cash and cash equivalents**

Description	Account number	2024/2025	2023/2024
		Kshs	Kshs
<b>Financial institution</b>			
a) <b>Current Account</b>			
BARCLAYS BANK QUEENSWAY(NBI)	<b>0945035838</b>	6,133,370	12,249,450
KCB Wanguru	<b>1103971387</b>	30,866,046	96,453,670
<b>Sub- Total</b>		<b>36,999,416</b>	<b>108,703,120</b>

Description		2024/2025	2023/2024
Financial institution	Account number	Kshs	Kshs
<b>b) Fixed Deposits Account</b>			
KCB Wanguru	1103971387	97,358,708.30	-
Equity Mayfair Supreme Centre	1510385359940	90,688,542.69	81,746,448
<b>Sub- Total</b>		<b>188,047,250.99</b>	<b>81,746,448</b>
<b>Grand Total</b>		<b>225,046,667</b>	<b>190,449,568</b>

## 22. Ordinary Share Capital

Description	2024/2025	2023/2024
	Kshs	Kshs
<b>Authorized:</b>		
250,000 Ordinary Shares of Kshs20/= par value each	5,000,000.00	5,000,000.00
<b>Issued and Fully paid:</b>		
250,000 Ordinary Shares of Kshs20/= par value each	5,000,000.00	5,000,000.00

## 23. 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.

	2024/2025	2023/2024
	KSHS	KSHS
<b>Revaluation reserve brought forward</b>	811,944,102	821,918,151
Amortization of Investment property	(10,064,604)	(9,974,049)
<b>Net book Value</b>	<b>801,879,498</b>	<b>811,944,102</b>

**24. General Reserve**

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

**25. Retained Earnings**

The retained earnings represent amounts available for distribution to the *Mwea Rice Mills Limited* shareholders. Undistributed retained earnings are utilised to finance the *Mwea Rice Mills* business activities.

	<b>2024/2025</b>	<b>2023/2024</b>
	<b>KSHS</b>	<b>KSHS</b>
Balance b/f	48,594,082	17,560,868
Reinstatement *	7,159,921	22,390,775
Profit/( loss) for the year	25,443,455	19,907,810
Dividends payable	-	(11,265,371)
Balance c/f	<b>81,197,458</b>	<b>48,594,082</b>

*The reinstatement referenced above pertains tax liability provisions and payments made in prior years. These payments were directly expensed Instead of being allocated to the accruing liability account. This double-entry error resulted in the expenses appearing twice on the income statement.*

**26. 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

## Notes to the Financial Statements (Continued)

## 27. Government levy

Description	2024/2025	2023/2024
	KSHS	KSHS
Government levy **	22,037,370	22,037,370
	<b>22,037,370</b>	<b>22,037,370</b>

*This is a levy imposed on Mwea Rice Mills Ltd to be paid to 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 National Irrigation Authority started marketing rice*

## 28. Trade and Other Payables

Description	2024/2025	2023/2024
	Kshs	Kshs
Trade payables	14,116,828	3,497,949
Accrued expenses	1,392,000	1,392,000
Employee payables	2	2,490
Other payables	41,161,054	35,340,241
<b>Total</b>	<b>56,669,884</b>	<b>40,232,681</b>

## Aging Analysis for Trade and other Payables

	2024/2025	% of the total	2023/2024	% of the total
Under one year	51,018,394	90.03%	35,629,599	88.56%
1-2 years	1,608,240	2.84%	975,420	2.42%
2-3 years	851,250	1.50%	1,800,000	4.47%
Over 3 years	3,192,000	5.63%	1,827,662	4.54%
<b>Total</b>	<b>56,669,884</b>	<b>100%</b>	<b>40,232,681</b>	<b>100%</b>

**Notes to the Financial Statements (Continued)**

**29. Dividends Payable**

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analyzed in annual amount below.

<b>Description</b>	<i>2024/2025</i>	<i>2023/2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Additional declared during the year	-	11,265,371
Balance at end of the year	-	<b>11,265,371</b>
<b>Ageing analysis:</b>		
Under one year	-	11,265,371
<b>Total</b>	<b>-</b>	<b>11,265,371</b>

*(Dividends paid to ordinary shareholders amounts to Ksh. 11,265,371, while dividends payable to preference shareholders amounts to Ksh 0.00).*

## Notes to the Financial Statements (Continued)

## 30. Notes to the Statement of Cash Flows

Description	2024/2025	2023/2024
	Kshs	Kshs
<b>(a) Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations</b>		
Profit or Loss before tax	36,347,793	28,439,728
Depreciation	9,759,555	9,652,342
Retained Earnings Adjustments	7,159,921	22,390,775
Operating Profit/(Loss) before Working Capital changes	<b>53,267,269</b>	<b>60,482,845</b>
(Increase)/Decrease in Inventories	538,595	1,613,437
(Increase)/Decrease in Trade and Other Receivables	(4,319,241)	9,647,414
Increase/(Decrease) in Trade and Other Payables	5,532,865	(33,970,763)
Cash Generated from/(used In) operations	<b>55,019,488</b>	<b>37,772,933</b>
<b>(b) Analysis of Cash and Cash equivalents</b>		
Cash At Bank	225,046,667	190,450,568
Balance At End Of The Year	225,046,667	190,450,568

## 31. Related Party Disclosures

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *entity*, holding 55% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *entity*, both domestic and external.

Other related parties include:

- i) The Parent Ministry
- ii) Key management
- iii) Board of directors

**Notes To The Financial Statements (Continued)**

**32. 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 with an established credit history.

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 carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

## Notes to the Financial Statements (Continued)

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2024</b>				
Receivables from exchange transactions	16,886,035	6,381,444	(10,504,592)	-
Bank balances	190,449,568	190,449,568	-	-
<b>Total</b>	<b>207,335,603</b>	<b>196,831,012</b>	<b>(10,504,592)</b>	<b>-</b>
<b>At 30 June 2025</b>				
Receivables from exchange transactions	24,351,316	13,795,925	(10,555,392)	-
Bank balances	225,046,667	190,455,095		
<b>Total</b>	<b>249,397,983</b>	<b>204,251,020</b>	<b>(10,555,392)</b>	

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. The entity did not have significant concentration of credit risk during the year under review.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**Notes to the Financial Statements (Continued)**

**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. The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>				
Trade payables	788,377	1,260,000	1,415,849	3,464,227
Provisions	19,036,510	-	-	19,036,510
<b>Total</b>	<b>19,824,887</b>	<b>1,260,000</b>	<b>1,415,849</b>	<b>22,500,737</b>
<b>At 30 June 2024</b>				
Trade payables	11,560,207	348,000	2,807,490	14,715,697
Provisions	11,273,273	-	-	11,273,273
Employee benefit obligation	-			-
<b>Total</b>	<b>22,833,480</b>	<b>348,000</b>	<b>2,807,490</b>	<b>25,988,970</b>

**Notes To The Financial Statements (Continued)**

**(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.

**a) 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.

**Notes To The Financial Statements (Continued)**

**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.

No analysis was performed during the year under review.

**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.

## Notes To The Financial Statements (Continued)

## 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. The entity capital structure comprises of the following funds:

Description	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve	801,879,498	821,918,152
Retained earnings	82,048,508	17,560,868
Ordinary Share Capital	5,000,000	5,000,000
General Reserve	8,700,000	8,700,000
<b>Total Funds</b>	<b>897,628,006</b>	<b>853,179,020</b>
Total Liabilities	78,999,423	82,067,340
Less: Cash and Bank balances	(225,046,667)	(190,450,568)
Net Debt/(Excess Cash and Cash Equivalents)	<b>(0)</b>	<b>(0)</b>
<b>Gearing</b>		

## 33. Incorporation

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

## 34. Events after the Reporting Period

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

**22. Appendices**

**Appendix 1: Implementation Status of Auditor-General prior year recommendations**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe:</b>
<b>1</b>	<p><b>Long Outstanding Trade Receivables</b>                      The statement of financial position and Note 18 to the financial statements reflects trade and other receivables balance of Kshs.6,381,444. However, the following anomalies were noted. This amount is net of provision for doubtful debts on trade receivables of Kshs.10,504,592. Review of ageing analysis revealed that trade receivables totalling Kshs.15,119,415 have been outstanding for over three years and the debtors have been inactive for a period of more five (5) years and documents to support these trade and other receivables were not provided for audit.</p> <p>Further, included in the trade receivables is a balance of Kshs.1,952,021 in respect to current asset of tax owed to the company by Kenya Revenue Authority (KRA). The amount has been outstanding since financial year 2016/2017 and no documentary evidence has been provided to support the amount or measures taken by management to recover the debt.</p>	<p>The figure of Kshs.10,504,592 refers to actual receivables that have been outstanding for more than five years and whose accounts are dormant. The provision was guided by the Finance Policy and Procedure Manual 2024.</p> <p>The figure of Kshs.1,952,021 on the other hand refers to tax credit owed to the Company by Kenya Revenue Authority (KRA). This arose due to tax that was overpaid due to self-assessments in prior years. However, the figure is still outstanding and will only be offset when corporation taxes for the Company falls due. As at now, there are no due liabilities as the company is still offsetting the previous losses</p>	Resolved	
<b>2</b>	<p><b>Long Outstanding Staff receivables</b>                      This balance trade and other receivables includes staff receivables of Kshs.1,685,700. Review of staff receivables showed long outstanding staff imprests</p>	<p>The figure of Kshs.1,685,700 is still in the books as the staff exited the company before accounting for these debts. The management is still following</p>	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	amounting to Kshs.1,663,300 some which has been outstanding since January 2019. In the circumstances, the accuracy, completeness and recoverability of trade and other receivables balance of Kshs.6,381,444 could not be confirmed..	up the officers to account for the same. However, this had not been achieved as at 30th June 2024. In addition, the figure of Kshs.6,381,444 refers to active debts of which some have been settled in the current financial year 2024/2025.		
3	<p><b>Inaccuracies in Investment Income</b></p> <p>The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.30,393,629 relating to other income. Included in this amount is investment income amount totaling Kshs.24,821,847 in respect of two properties owned by the Company within Nairobi County. Review of the rental income records against the agreed stand premium (monthly income) for each tenant revealed that the Company’s expected rental income for the year under review was Kshs.26,813,880. However, the reported rental income was Kshs.24,821,847 resulting in an unexplained variance in rental income of Kshs.1,992,033.</p> <p>In the circumstances, the accuracy and completeness of the investment income totalling Kshs.24,821,847 could not be confirmed.</p>	The variance between the expected rent and collected rent is due to 10% tax withheld by the tenants paid to KRA at source.	Resolved	
4	<p><b>Un-supported Capital Fund for Mill Rehabilitation</b></p> <p>The statement of financial position reflects capital fund for mill rehabilitation of Kshs.52,610,534 as disclosed in Note 24 to the financial statements. The rehabilitation fund was a levy based on kilograms of rice milled for the</p>	The levy was stopped in 1997. No bank account had been opened for the fund. From the records, NIA the then NIB used to be invoiced by MRM and the same was settled by NIB. Over the	Resolved	

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe:</b>
	<p>National Irrigation Authority by Mwea Rice Mills Limited. However, the capital fund was not supported by any verifiable documents.</p> <p>In the circumstances, the accuracy and completeness of the capital fund for mill rehabilitation totaling Kshs.52,610,534 could not be confirmed</p>	<p>years, MRM used the fund to run its operations as there was no other source of income. The amount has been correctly treated as long term liability awaiting further decision by the board as the supported documents cannot be traced due to lack of proper handing over when NIA experienced retrenchment in the year 2004</p>		
5	<p><b>Unsupported Miscellaneous Receipts</b></p> <p>The statement of profit or loss and other comprehensive income as disclosed in Note 9 to the financial statement reflect an amount of Kshs.30,393,629 being other income earned by the company. Included in this figure is an amount of Kshs.1,697,260 in respect to other miscellaneous receipts which includes parking fees, sale of husk, kiosk charges, hawking charges, sale of firewood, sale of colour sorter, rice grading and school visits charges. However, the income was not supported with the approved price list stating the costing of each component.</p> <p>In the circumstances, the accuracy and completeness of other income amount of Kshs.1,697,260 could not be confirmed.</p>	<p>The agreement documents which were not reviewed during the audit desk review are hereby provided for review.</p>	Resolved	
6	<p><b>Long Outstanding Government Levy Payable to National Irrigation Authority</b></p> <p>The statement of financial position and Note 26 to the financial statements reflects an amount of Kshs.22,037,370 in respect to government levy.</p>	<p>The figure Ksh. 22,037,370 refers to Government Proposed Levy was imposed on MRM Limited to be paid to National Irrigation Authority. The fund was to help NIA the then NIB meet the</p>	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>Management imposed a levy on Mwea Rice Mills Ltd to help the Board meet the development loan principal and interest repayments. The levy was intended to ease the Company's burden in repaying the loan through National Irrigation Authority. However, the amount is still outstanding since 1988 and no documentary evidence was provided to show how the management intends to clear this long outstanding non-current liability.</p>	<p>development loan principal and interest repayments. However, the levy was stopped in 1988 when NIA started marketing rice and recoveries of the same to repay the loan were stopped due to cash flow challenges that the Company has been facing.</p>		
7	<p><b>Long Outstanding Trade and Other Payables</b>                      The statement of financial position and Note 27 to the financial statements reflects Kshs.40,232,681 in respect to trade and other payables. Included in the figure is Kshs.33,540,241.46 payable to National irrigation Authority being the amount owed to the Authority by the Company which relates to administration and accountancy fee. Review of MRM-NIA administration and accountancy fee agreement revealed that MRM is required to pay 3% of her total turnover at the end of each financial year where the liabilities are as per the certified accounts for various financial years which has been outstanding over a period of time. However, no explanation has been provided for the non- clearance of the outstanding debts.                      Further, the payables aging analysis revealed that trade and other payables totaling to Kshs.1,827,662 have been outstanding for over three (3) years.</p>	<p>The figure of Kshs. 33,540,241.46 payable to National irrigation Authority is a balance of the total administration and accountancy fee as at 30th June 2024. The settlement is on annual instalments of 10 million per year. The figure of Kshs. 1,827,662 has been outstanding due to ongoing reconciliations between the suppliers and the company to establish the authenticity of the same.</p>	Resolved	
	<p>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</p>			

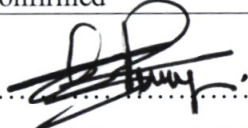
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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe:</b>
8	<p><b>Lack of Gender Diversity in the Board of Directors</b>            During the period under review, it was noted that the Company Board of Directors consisted of eight (8) Board Members, where only one was a female member thus contravening Mwongozo Chapter 1 on Governance of Principles which provides that the composition and size of the Board should provide gender diversity, competences and skills required for the effective leadership of the organization.</p> <p>In the circumstances, Management was in breach of the law</p>	<p>The entity has no major role in the appointment of the government representatives in the board composition as the appointment of representation of these government offices is separately and independently done by the offices they represent.</p>	Resolved	
9	<p><b>Irregular Engagement of Casual Workers</b>            The statement of profit or loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects cost of sales amounting to Kshs.58,459,457 which includes basic pay amounting to Kshs.9,146,755 paid to casual employees for the period July 2023 to June 2024. Review of muster roll and payroll revealed that casual employees were engaged continuously for period exceeding three months where the Company has been engaging casual employees on temporary basis on a three months' renewable contract since February 2019 and they've all served the entity for a continuous period of more than one year.</p>	<p>The company over time has had budgetary constraints, which have affected the engagement of casuals on full term employment. This will be addressed once the company has the Strategic plan finalized</p>	Resolved	

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe:</b>
	In the circumstances, the Company was in contravention of the labour laws and the continued employment of staff on casual terms may affect their morale and in affect efficient and effective delivery of the Company's mandate.			
<b>10</b>	<p><b>Lack of an Approved Staff Establishment</b>                      During the year under audit, it was observed that the company did not have an approved staff establishment as well as a Human Resource plan/policy. Management therefore failed to plan and comprehensively determine the entity's human resource need.                      In the circumstances, lack of an approved staff establishment implies that the entity cannot identify its human resource capacity gaps and the commensurate skills and qualifications which are lacking</p>	The company is in the process of developing its first strategic plan, which will also address the organization structure and staff establishment for the company.	Resolved	
	<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>			
<b>11</b>	<p><b>Lack of Strategic Plan</b>                      Mwea Rice Mills limited lacks an approved strategic plan to provide a long-range overview of budgetary needs and raises concerns regarding the Company's capacity to effectively manage and align its activities with its long-term objectives.                      In the circumstances, the strategic steps necessary to determine the direction of the Corporation to undertake its mandate, its objectives and goals could not be ascertained.</p>	The company does not have a strategic plan however its operations are guided by the business plan which is approved by the Board of Directors.		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
12	<p><b>Failure to Tag Company Assets</b></p> <p>Statement of financial position and note 15 to the financial statements reflects property, plant and equipment amounting to Kshs.242,368,972. Physical verification of the Company's assets at the factory revealed that the company had not tagged its assets in a way they can easily be verified. Further, the residential houses were marked with paints which has since faded and it was not possible to match some of these records in the asset register.</p> <p>In the circumstances, the Company's proper control, identification and safeguard of its assets could not be confirmed</p>	<p>Based on the improved cash flows for the Company, the management has planned to engage a service provider to assist with the digital tagging of the assets.</p>		



.....  
 Eng. Charles Muasya, *MBS*

Managing Director

Date: 28/11/2025