

REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY PAPERS LAID	
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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MWEA RICE MILLS LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

MWEA  
RICE MILLS  
LIMITED



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**MWEA RICE MILLS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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

Mwea Rice Mills Limited  
Annual Report and Financial Statements  
For the year ended June 30, 2022

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## **1. KEY ENTITY INFORMATION**

### **a) Background**

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 The Company was incorporated in 1993 under the Companies Act, CAP 486 (now repealed and substituted with Companies Act 2015)

### **b) Principal Activities**

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

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

**c) Directors**

Hon. Eng. Joshua N. Toro	Chairman	Appointed on 03/05/2019
Mr. Harrison Mutugi	Vice Chairman MRGM	Appointed on 01/05/2008
Mr. Ndege Muiruki	Chairman MRGM	Appointed on 30/10/2019
Mr. Aboud Moeva	Alternative representative to PS, State Department of Irrigation, Ministry of Water Sanitation and Irrigation	Appointed on 14/12/2018
Mr. Peter Waweru	Inspectorate of State Corporations	Appointed on 01/06/2018
Mr. Charles Kairu	Alternative representative to CS, National Treasury	Appointed on 14/10/2015
Mr. Gitonga Mugambi, EBS	Managing Director	Appointed on 01/08/2017 Exited on 30/11/2022
Eng. Charles Muasya	Ag. Managing Director	Appointed on 06/12/2022

**d) Corporate Secretary**

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

**e) Factory**

Mwea  
P.O. Box 80  
Wanguru

**f) Corporate Headquarters**

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

**g) Corporate Contacts**

Telephone: (254) 0711 061 000

E-mail: [Ceo@irrigation.go.ke](mailto:Ceo@irrigation.go.ke)

Website: [www.irrigation](http://www.irrigation.go.ke) .go.ke

**h) Corporate Bankers**

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

**i) Independent Auditors**

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

**j) Principal Legal Advisers**

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

## 2. BOARD OF DIRECTORS

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



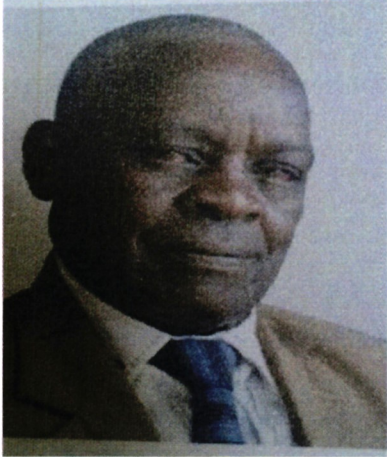
### **HON. ENG. JOSHUA N. TORO- CHAIRMAN.**

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

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

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

He was appointed by the then President H.E Mwai Kibaki as an Assistant Minister for Roads, Public

	<p>Works and Housing for five (5) years between 2003 and 2007. While in Parliament, he served as Member of African Parliamentarians Network Against Corruption (APNAC) which is affiliated to the Global Organization of Parliamentarians Against Corruption between 1997 and 2009.</p> <p>Hon. Eng. Toro was one of the pioneer members of the Board of Directors of Kenya National Highways Authority (KeNHA) that established it from scratch to the current formidable organization it is today. He was a Board member at KeNHA for five (5) years between 2008 and 2012 where he also served as the chairman of the Board's Technical committee alongside being a member of the Audit and the Procurement Oversight Committees.</p> <p>His background in Engineering and experience in the various leadership roles will help him lead NIA in implementing its mandate so as to effect and promote the Government's Big4 Agenda on Food Security and Nutrition.</p> <p>He is a registered Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of Institution of Engineers of Kenya.</p>
	<p><b>MR. HARRISSON MUTUGI MATHINDI,              NON- EXECUTIVE DIRECTOR</b></p> <p>Mr. Harrison Mutugi Mathindi joined the Company's Board in May 2008. He sits on the Board by virtue of being a Director of Mwea Rice Growers Multi-Purpose Cooperative Society (MRGM) director.</p> <p>He is a long serving Director of MRGM having joined the society as Vice Chairman in March 2000, a position he continues to hold up to date. He previously worked with the Ministry of Health from 1976 to 1998. Mr. Mutugi brings vast knowledge, experience and leadership gained from the expansive Mwea rice growing region.</p> <p>His current occupation is commercial rice farming.</p>



**MR NDEGE MURIUKI - NON- EXECUTIVE DIRECTOR**

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

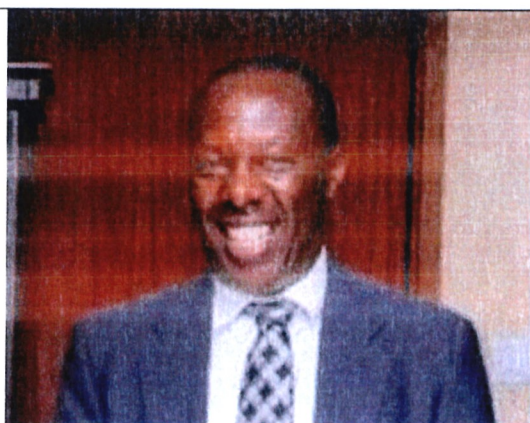
He is a long serving member of the MRGM having joined in 14<sup>th</sup> March 2003, a position he continues to hold up to date. He has previously worked as an accountant at Harambee Sacco as well as a Secretary manager at Mwea Amalgamated Rice Growers Cooperative Society Ltd which is a predecessor of MRGM

	<p><b>MR. ABOUD MOEVA, ALTERNATE REPRESENTATIVE OF THE PRINCIPAL SECRETARY, DIRECTORATE OF IRRIGATION, MINISTRY OF WATER, SANITATION AND IRRIGATION.</b></p> <p>Mr. Moeva was appointed to the Board on December 14, 2018. He is a holder of a Master in Business Administration (MBA) Degree in Strategic Management and a Bachelor’s Degree in General Agriculture both from the University of Nairobi.</p> <p>He possesses vast expertise in Agriculture and is an Agriculturalist/Community mobilizer as well as acquiring an extensive professional profile of 21 years’ experience in management of Irrigation development. He has done several professional courses such as Irrigation Project Preparation Course, Ministry of Agriculture (1989), Farmers Organization and Development, Ministry of Agriculture (1989) and Smallholder Irrigation Promotion Course, Tsukuba International Center-Japan (1999) among others.</p> <p>He currently holds office as the Director of Irrigation Water Management and has previously held several responsibilities including: Head of Planning, Monitoring and Information Management-Ministry of Water and Irrigation, Head of Budget and Project Coordination Branch-Ministry of Agriculture, District Agricultural Officer-Lamu district among others.</p>
	<p><b>MR. PETER WAWERU – INSPECTORATE OF STATE CORPORATIONS</b></p> <p>Mr. Waweru joined the Board in June 2018 representing Inspector General (Corporations). He holds a Master of Business Administration Degree (Marketing option) and Bachelor of Commerce Degree (Accounting option). His current position is Deputy Inspector General (Corporations). He has served in various capacities including being a Town Clerk in the defunct Local Authorities.</p>



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

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



**MR. GITONGA MUGAMBI, EBS-MANAGING DIRECTOR**

Mr. Gitonga Mugambi was appointed the Chief Executive Officer of National Irrigation Authority on 1st August 2017 and exited on 30<sup>th</sup> November 2022. He was the Managing Director of the Company by virtue of being the Chief Executive Officer of the National Irrigation Authority. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds MBA in Strategic Management from Kenya Methodist University. Mr. Gitonga Mugambi is a well-accomplished agriculturalist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of Irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of Western Kenya Rice Mills Ltd.



**ENG. CHARLES MUASYA – Ag. MANAGING DIRECTOR**

Eng. Charles Muasya was appointed the Ag. Chief Executive Officer on November 6, 2022. He is the Ag. Managing Director of the Company by virtue of him being the Ag. Chief Executive Officer of the National Irrigation Authority. He has a Master in Civil Engineering from University of South Australia and B.Sc. Agricultural Engineering from Egerton University. He is a proficient Engineer with 19 years of experience in Engineering field. He is a registered Engineer with Engineers Board of Kenya (EBK), a Corporate Member of Institution of Engineers of Kenya and JICA Ex-Participants.





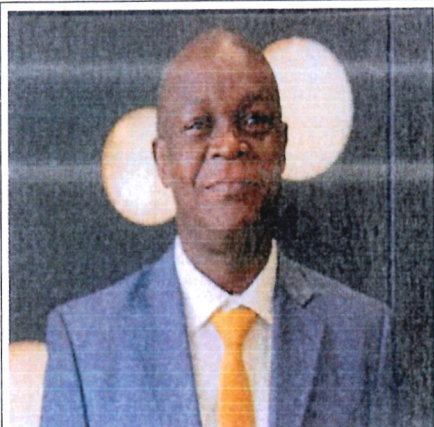
***Nancy M. Wambugu, Head of ICT & Ag Company Secretary.***

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

### 3. MANAGEMENT TEAM

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

	<p><b><i>Mr. Gitonga Mugambi, EBS–Managing Director</i></b></p> <p>Mr. Gitonga Mugambi was appointed the Chief Executive Officer of National Irrigation Authority on 1st August 2017 and exited on 30<sup>th</sup> November 2022. He was the Managing Director of the Company by virtue of being the Chief Executive Officer of the National Irrigation Authority. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds MBA in Strategic Management from Kenya Methodist University. Mr. Gitonga Mugambi is a well-accomplished agriculturalist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of Irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of Western Kenya Rice Mills Ltd.</p>
	<p><b><i>Eng. Charles Muasya – Ag. Managing Director</i></b></p> <p>Eng. Charles Muasya was appointed the Ag. Chief Executive Officer on November 6, 2022. He is the Ag. Managing Director of the Company by virtue of him being the Ag. Chief Executive Officer of the National Irrigation Authority. He has a Master in Civil Engineering from University of South Australia and B.Sc. Agricultural Engineering from Egerton University. He is a proficient Engineer with 19 years of experience in Engineering field. He is a registered Engineer with Engineers’ Registration Board. He is a registered Engineer with Engineers Board of Kenya (EBK), a Corporate Member of Institution of Engineers of Kenya and JICA Ex-Participants.</p>



***Mr. Daniel Atula Masatia, - Deputy General Manager – Operation and Irrigation Management Services.***

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



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

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



***CPA Jedidah N. Oduori, Head Of Finance***

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

#### 4. CHAIRMAN'S STATEMENT

The financial year 2021/2022 witnessed a remarkable improvement of the Mwea Rice Mill Ltd on its social and financial status. During the year, the company was not only able to meet its financial obligation but was also able to invest excess liquid cash into a fixed deposit account with Kenya Commercial Bank.

The company has been able to exploit most of its financial opportunities in regard to the rice processing services at Mwea Wang'uru Kenya which has resulted to a tremendous increase in its revenue collection compared to the yester years. The investment sector also showed a tremendous increase in its revenue collection as compared to other years although there is still a room for further improvement in order to reach optimal revenue collection.

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

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

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

Sign:  ..... Date: ..... 17/03/2023 .....

**Hon. ENG. JOSHUA N. TORO**

**CHAIRMAN OF THE BOARD**

## 5. REPORT OF THE MANAGING DIRECTOR.

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

We are optimistic that the company's future is bright owing to several measures that we have continued to put in place. For instance, during the year we were able to computerize the company's financial system through ERP package. Also computerized through ERP was its stores system. These systems have greatly assisted the management in monitoring the financial performance of the company. This financial year has shown that with proper management, the company can reclaim its dominance in the rice-milling sector. It is worth noting that, this year the company was able to have excess liquid cash of Kshs.40 Million after meeting all its financial obligations. This will no doubt act as impetus to the management to exploit various business opportunities that can be used to increase the shareholders wealth.

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

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

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

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

Sign:  ..... Date: 17/03/2023 .....

**ENG. CHARLES MUASYA**  
**Ag. MANAGING DIRECTOR**

**6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
FOR FY 2021/2022**

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

During the financial year under review, MRM Ltd. did not have a running strategic plan. However, there was a work plan, which guided the performance of the company during the financial year 2021/2022.

## 7. CORPORATE GOVERNANCE STATEMENT

### Overview

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

### Composition of the board

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

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

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

### The role of the board

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

The Board is also responsible for the following:

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

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

### **Board meetings**

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

### **Directors' Remuneration**

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

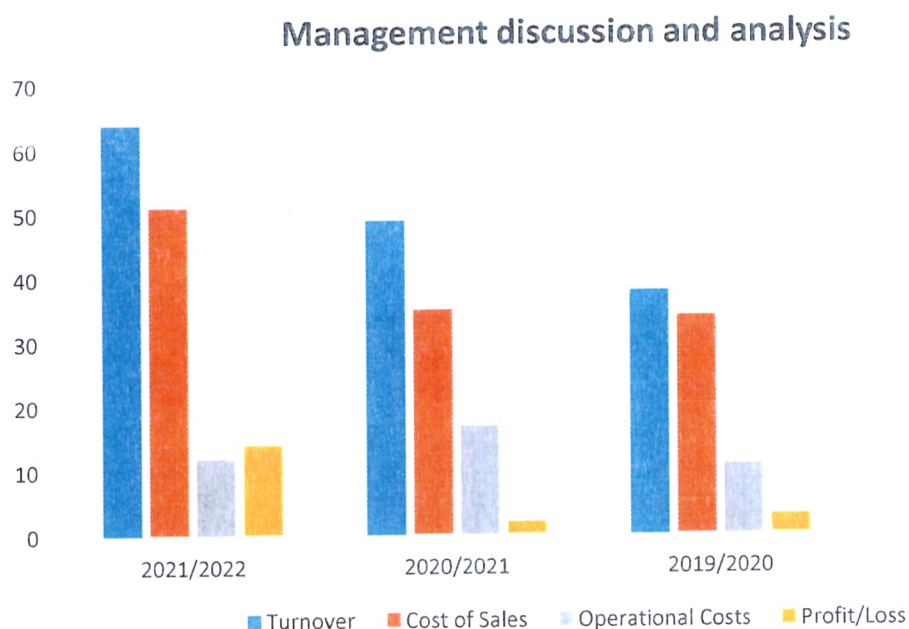
### **Communication with stakeholders**

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

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

The Company's turnover increased from Kshs. 38,987,215 in the financial year 2019/2020 to Kshs. 49,842,870 in the financial year 2020/2021 to Kshs. 64,317,303 in the current year under review. This represents 29 % increase when compared with the previous year. On the other hand, cost of sales increased from Ksh. 34,880,515 in the financial year 2019/2020 to Kshs. 35,799,187 in the financial year 2020/2021 to Kshs. 51,860,887 in the current year under review, representing 44% increase. Further, the operational costs increased from Ksh. 11,434,063 in the financial year 2019/2020 to Kshs. 17,649,885 in the financial year 2020/2021 and decreased to Kshs. 11,919,893 in the current year under review, representing 31% decrease. As indicated in the chart, the profits decreased from Ksh. 3,387,813 in the year 2019/2020 to Kshs. 2,442,038 in the financial year 2020/2021 whereas profits for the year under review increased to a profit of Kshs. 14,014,980.39 representing 474 % increase in profits. This information is highlighted, in the form of a bar chart below.

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



## **9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

### **1. Sustainability Strategy and Profile**

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

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

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

During the last financial year 2020/2021 the company was able to establish a profit of Kshs.2M after tax besides meeting its financial obligations over the period. The management has instituted several measures intended for upgrading its net profit after tax. Such measures include;

- i. First tracking the marketing of customer's rice through organized organs such as customer's co-operative. This will make more customers to come to MRM for milling and marketing services.
- ii. Introduced check and balances in the organization in order to safeguard customer's paddy which made some other millers to seek milling services from MRM e.g. MRGM. This in no doubt will impact positively on the sustainability of the company.
- iii. The macroeconomic measures undertaken in 2021/2022 will start bearing fruits in the years to come where the profitability index is expected to be enhanced.

## **2. Environmental Performance**

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

Below are the outlined successes for the policy;

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

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

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

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

### **3. Employee Welfare**

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

#### **4. Market Place Practices**

MRM has outlined its effort to;

##### **(a) Responsible Competition Practice**

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

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

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

##### **(c) Responsible Marketing and advertisement**

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

##### **(d) Product Stewardship**

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

MRM products are tested and certified by KEBS.

#### **5. Corporate Social Responsibility /Community Engagements**

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

## **10. REPORT OF THE DIRECTORS**

The directors submit this report together with the financial statements for the year ended 30th June 2022 which show the state of the Mwea Rice Mills Ltd Company's affairs.

### **Principal activities**

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

### **Results**

The results of the Company for the year ended 30th June. 2022 are set out on pages 1 to 4 of the financial statements.

### **Directors**

The members of the Board of Directors who served during the year are shown on pages' iv to ix.

The Board of Directors for the Company comprises of;

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

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

**Auditors**

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

By Order of the Board

Sign  .....

Ms. Nancy Wambugu  
Ag. Company Secretary

Date...17/03/2023.....

## **11. STATEMENT OF DIRECTOR'S RESPONSIBILITY**

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

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on 30<sup>th</sup> June 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Company;
- (v) Selecting and applying appropriate accounting policies;
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act, 2015. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of

Company's transactions during the financial year ended 30<sup>th</sup> June, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

**Approval of the financial statements**

The *Company's* financial statements were approved on 17/03/2023 and signed on its behalf by:



Sign.....

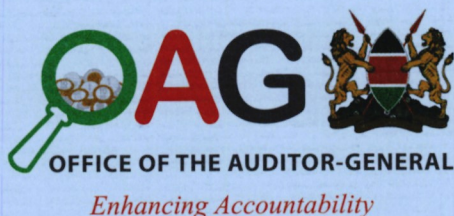
**HON. ENG. JOSHUA N. TORO**  
**CHAIRMAN OF THE BOARD**



Sign.....

**ENG. CHARLES MUASYA**  
**Ag. MANAGENG DIRECTOR**

# REPUBLIC OF KENYA



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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON MWEA RICE MILLS LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Mwea Rice Mills Limited set out on pages 1 to 43, which comprise of the statement of financial position as at

30 June, 2022, 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 as at 30 June, 2022, 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 Public Finance Management Act, 2012 and the Kenyan Companies Act, 2015.

## **Basis for Qualified Opinion**

### **1. Properties Without Ownership Documents**

The statement of financial position reflects investment property balance of Kshs.571,417,712 as disclosed in Note 12 to the financial statements. Included in this balance is the value of houses located in Kilimani Nairobi County, along Lenana Road, and a residential building located in Mwea, Kirinyaga County. However, ownership documents provided for audit indicates that the land on which the houses in Nairobi are located is registered in the name of another company while the land on which the building in Mwea is located is registered in the name of the original owners. In addition, some of the original owners have subdivided the parcel of land and transferred its ownership to third parties.

In the circumstances, the ownership of the investment properties amounting to Kshs.571,417,712 could not be confirmed.

### **2. Trade and Other Receivables**

#### **2.1 Long Outstanding Trade and Other Receivables**

The statement of financial position reflects trade and other receivables of Kshs.15,601,370 after provision for doubtful debt of Kshs.16,815,053, Kshs.18,712 and Kshs.3,606,821 on continental credit finance, trade debtors and interest on deposits respectively and as disclosed in Note 14 to the financial statements. However, debtors ageing analysis revealed that trade debtors totalling Kshs.11,726,641 have been outstanding for over five (5) years and the debtors have not been active for the same period of five (5) years. The provision for trade debtors of Kshs.18,712 is therefore considered inadequate and Management did not explain why a provision for doubtful debts of only Kshs.18,712 has been made considering the huge balance of Kshs.11,726,641 held by inactive debtors.

In the circumstances, the accuracy, completeness and recoverability of the trade and other receivables balance of Kshs.15,601,370 could not be confirmed.

## **2.2 Unsupported Receivable Due from a Company Under Receivership**

The statement of financial position reflects trade and other receivable balance of Kshs.15,601,370 and as disclosed in Note 14 to the financial statements. The balance is after provision for doubtful debts of Kshs.20,440,586 which includes fixed deposits of Kshs.16,815,053 and related interest of Kshs.3,606,821, all totalling Kshs.20,421,874 due from a Credit Finance Limited Company, which went under receivership in 1986. However, on 24 February, 2010, the Official and Provisional Receiver, in the winding-up Case No.29 of 1986 between the Company and the Credit Finance Company in receivership, indicated that their records recognized the principle amount and not interest. Management has made full provision for the principal and interest as at 30 June, 2022. However, the report on the outcome of the winding-up case or the current status of the case was not provided for audit.

In the circumstances, accuracy and completeness of the trade and other receivables balance of Kshs.15,601,370 and the progress, if any, of the winding-up case of the Company could not be confirmed.

## **3. Non-Remittance of Outstanding Tax**

The statement of financial position reflects trade and other payables balance of Kshs.65,125,478 as disclosed in Note 23 to the financial statements, which includes tax provision of Kshs.10,576,179. This balance, which was brought forward from prior years, remained unpaid as at 30 June, 2016. The related penalties and interests on the unpaid taxes have not been provided for in the financial statements. There was no evidence of measures taken by Management to pay the tax due, together with the related penalties and interest. In addition, no analysis of the outstanding taxes of Kshs.10,576,179, was provided for audit.

In the circumstances, the accuracy, completeness and full settlement of the payables balance of Kshs.10,576,179 and undisclosed penalties and interest could not be confirmed.

## **4. Doubtful Tax Recoverable**

The statement of financial position reflects tax recoverable balance of Kshs.1,952,021, as disclosed in Note 16 to the financial statements. This tax balance, which is owed to the Company by the Kenya Revenue Authority (KRA), has been outstanding since the 2016/2017 financial year. There was no evidence of follow-up by Management to recover the balance from the KRA.

In the circumstances, accuracy, completeness and recoverability of the tax recoverable amount of Kshs.1,952,021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mwea Rice Mills Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit

evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Other Matter**

### **Unresolved Prior Year Audit Matters**

Review of the progress on follow-up on prior year auditor's recommendations reveal that, several issues were raised under the Report on Financial Statements and Reports on Lawfulness and Effectiveness in Use of Public Resources and on Effectiveness Of Internal Controls, Risk Management and Governance paragraphs which remained unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for National Government entities to try to resolve any issues resulting from an audit that remain outstanding.

### **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. There were no key audit matters to report in the year under review.

### **Other Information**

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Lack of Annual General Meeting**

The Company did not hold an Annual General Meeting during the year under review, contrary to requirement under the Companies Act, 2015, Section 310(1) which states that

'every public company shall hold a general meeting as its annual general meeting within six months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period.

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

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter 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**

#### **Lack of an Audit Committee**

As previously reported, review of effectiveness of internal controls revealed that the Company does not have an audit committee. Although the Company uses the internal audit function for National Irrigation Authority, there is no audit committee to review the work of the internal auditor and assess the efficiency and effectiveness of its operational and risk management processes.

In the circumstances, the effectiveness of internal controls and risk management of the Company 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 processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. in my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

18 April, 2023

**13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021/2022	2020-2021
		Kshs	Kshs
Revenues			
Revenue	4	64,317,303	49,842,870
Cost of sales	5	(51,860,887)	(35,799,187)
<b>Gross Profit</b>		<b>12,456,416</b>	<b>14,043,683</b>
Other Income			
Other Income	6	4,410,463	4,294,828
Investment Income	7	15,074,415	2,800,000
<b>Total Revenues</b>		<b>31,941,294</b>	<b>21,138,510</b>
Operating Expenses			
Administration Costs	8	(8,676,537)	(8,112,793)
Other Expenses	9	(2,912,657)	(9,133,092)
Board Members Expenses	10	(330,700)	(404,000)
<b>Total Operating Expenses</b>		<b>(11,919,893)</b>	<b>(17,649,885)</b>
<b>Profit/(Loss) before Taxation</b>		<b>20,021,401</b>	<b>3,488,626</b>
Income Tax Expense/(Credit)		(6,006,420)	(1,046,588)
<b>Total Comprehensive Income For The Year</b>		<b>14,014,980</b>	<b>2,442,038</b>

**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Note	2021/2022	2020-2021
		Kshs	Kshs
<b>ASSETS</b>			
Non-Current Assets			
Property, plant and equipment	11	262,785,369	10,341,786
Investment property	12	571,417,712	520,231,139
<b>Total Non-Current Assets</b>		<b>834,203,081</b>	<b>530,572,925</b>
<b>Current Assets</b>			
Inventories	13	20,109,016	21,005,414
Trade and other receivables	14	15,601,370	17,111,835
Cash and Cash Equivalent	15	117,482,885	82,569,097
Tax recoverable	16	1,952,021	1,952,021
<b>Total Current Assets</b>		<b>155,145,292</b>	<b>122,638,366</b>
<b>Total Assets</b>		<b>989,348,373</b>	<b>653,211,292</b>
<b>CAPITAL, FUNDS, RESERVES AND LIABILITIES</b>			
Capital and Reserves			
Share capital	17	5,000,000	5,000,000
General reserve	18	8,700,000	8,700,000
Revaluation reserve	19	833,888,874	520,231,139
Accumulated profits/loss	20	1,986,117	(12,028,864)
Capital Fund for Mill Rehabilitation	21	52,610,534	52,610,534
<b>Total Capital, Funds, Reserves and Liabilities</b>		<b>902,185,525</b>	<b>574,512,809</b>
<b>Long-Term Liabilities</b>			
Government Proposed Levy	22	22,037,370	22,037,370
<b>Total Long-Term Liabilities</b>		<b>22,037,370</b>	<b>22,037,370</b>
<b>Current Liabilities</b>			
Trade and other payables	23	65,125,478	56,661,113
<b>Total Current Liabilities</b>		<b>65,125,478</b>	<b>56,661,113</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>989,348,373</b>	<b>653,211,292</b>

The financial statements were approved by the Board on 17/03/2023 and signed on its behalf by

Sign.....

Sign.....

Sign.....

ENG. CHARLES MUASYA

CPA. JEDIDAH N. ODUORI

HON. ENG. JOSHUA N. TORO

Ag. MANAGING DIRECTOR

CHIEF OFFICER FINANCE

BOARD CHAIRMAN

ICPAK M/NO. 29724

**15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022**

	Share capital	Revaluation Reserve	General reserve	Accumulated profits	Capital Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>At July 1, 2020</b>	<b>5,000,000</b>	<b>547,231,139</b>	<b>8,700,000</b>	<b>(10,415,976)</b>	<b>52,610,534</b>	<b>603,125,697</b>
Profit and Loss Account	-	-	-	2,442,038	-	2,442,038
Prior year adjustment				(4,054,926)		(4,054,926)
Amortization	-	(27,000,000)	-	-	-	(27,000,000)
Revaluation gain	-	-	-	-	-	-
<b>At June 30, 2021</b>	<b>5,000,000</b>	<b>520,231,139</b>	<b>8,700,000</b>	<b>(12,028,864)</b>	<b>52,610,534</b>	<b>574,512,809</b>
<b>At July 1, 2021</b>	<b>5,000,000</b>	<b>520,231,139</b>	<b>8,700,000</b>	<b>(12,028,864)</b>	<b>52,610,534</b>	<b>574,512,809</b>
Profit and Loss account	-	-	-	14,014,980.39	-	14,014,980
Interim Dividends paid 2022	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-
Amortization	-	(11,621,659)	-	-	-	(11,621,659)
Revaluation gain	-	325,279,395	-	-	-	325,279,395
<b>At June 30, 2022</b>	<b>5,000,000</b>	<b>833,888,875</b>	<b>8,700,000</b>	<b>1,986,117</b>	<b>52,610,534</b>	<b>902,185,525</b>

**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	20	14,014,980	2,442,038
Prior Year Adjustment		-	(4,054,926)
Depreciation	11	13,392,765	4,869,797
Increase (Decrease) in Inventories	13	896,397	6,736,573
Increase (Decrease) in Receivables	14	1,510,465	426,327
Increase (Decrease) in Payables	23	8,464,366	5,279,169
<b>Net cash generated from/(used in) operating activities</b>		<b>38,278,973</b>	<b>15,698,979</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions plant and machinery	11	(3,365,185)	(692,500)
Proceeds from disposal		-	2,045,600
Loss on Disposal		-	7,222,603
<b>Net cash generated from/(used in) investing activities</b>		<b>34,913,788.25</b>	<b>24,274,682</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash generated from/(used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>Increase/ (Decrease) in Cash and Cash Equivalent</b>	<b>15</b>	<b>34,913,788</b>	<b>24,274,682</b>
<b>Cash and Cash Equivalent at the beginning of the year</b>	<b>15</b>	<b>82,569,096</b>	<b>58,294,415</b>
<b>Cash and Cash Equivalent at the end of the Year</b>		<b>117,482,885</b>	<b>82,569,096</b>

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2022**

Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
<b>Revenue (A)</b>						
Turnover	65,000,000	-	65,000,000	64,317,303	682,697	1%
Other Income	4,500,000	-	4,500,000	4,410,463	89,537	2%
Investment income	16,700,000	-	16,700,000	15,074,415	1,625,585	10%
<b>TOTAL</b>	<b>86,200,000</b>	<b>-</b>	<b>86,200,000</b>	<b>83,802,181</b>	<b>2,397,819</b>	<b>3%</b>
<b>Expenditure (B)</b>						
Paddy to mills	4,000,000	-	4,000,000	3,996,640	3,360	0%
Salaries and Wages-Casuals	9,700,000	-	9,700,000	9,621,116	78,884	1%
Salaries and Wages-Production/ Overtime	650,000	-	650,000	640,921	9,079	1%

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Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
Electricity	13,500,000	-	13,500,000	13,272,954	227,046	2%
Buildings mtce -General (Mills)	1,200,000	-	1,200,000	1,192,512	7,488	1%
Buildings mtce - Stores	2,300,000	-	2,300,000	2,223,700	76,300	3%
P & M Maintenance - miscellaneous	1,750,000	-	1,750,000	1,749,101	899	0%
Bags and Packing materials	800,000	-	800,000	789,119	10,881	1%
P & M Maintenance - mill 5	2,700,000	-	2,700,000	2,654,843	45,157	2%
P & M Maintenance - mill 6	1,600,000	-	1,600,000.00	1,591,319	8,681.35	1%
Salaries and Wages- Regular Staff	1,700,000	-	1,700,000.00	1,680,763	19,237	1%
Medical Expenses	10,000	-	10,000.00	10,000	00	0%

Mwea Rice Mills Limited  
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Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
House allowance	67,000	-	67,000	66,000	1,000	1%
Leave & transfer allowance	35,000	-	35,000	34,487	513	1%
NSSF	110,000	-	110,000	107,400	2,600	2%
Printing and Stationery	400,000	-	400,000	396,077	3,923	1%
Travelling Expenses	1,120,000	-	1,120,000	1,133,900	(13,900)	-1%
Travel by road	50,000	-	50,000	49,800	200	0%
Telephone, Postages and Sundries	375,000	-	375,000	374,500	500	0%
Building mtce- offices	300,000	-	300,000	290,735	9,265	3%
Audit fees	348,000	-	348,000	348,000	-	0%

Mwea Rice Mills Limited  
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Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
Administration & accountancy fee	2,600,000	-	2,600,000	2,514,065	85,935	3%
Motor vehicle Mtce.	225,000	-	225,000	222,500	2,500	1%
Licences	75,000	-	75,000	72,200	2,800	4%
Buildings mtce - Staff houses	54,000	-	54,000	53,500	500	1%
Uniforms	180,000	-	180,000	176,252	3,748	2%
Bank charges	58,000	-	58,000	56,194	1,806	3%
Office Tea	500,000	-	500,000	472,867	27,133	5%
Office Beverages	56,000	-	56,000	55,411	589	1%
Hire for Transport	120,000		120,000	117,500	2,500	2%

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Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
Subscriptions and Periodicals	63,000	-	63,000	61,780	1,220	2%
Freight Charge	250,000	-	250,000	243,500	6,500	3%
Advertising	300,000	-	300,000	299,280	720	0%
Fire Extinguishers and Servicing and Maintenance	150,000	-	150,000	148,800	1,200	1%
Hire of Conference Facilities	12,500	-	12,500	12,000	500	4%
Water Charges	82,000	-	82,000	81,090	910	1%
Staff Gratuity	475,000	-	475,000	471,528	3,472	1%
Computer Expenses	9,700	-	9,700	9,605	95	1%
Internet	720,000	-	720,000	715,059	4,941	1%

Mwea Rice Mills Limited  
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Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
Office Machinery Expenses	6,000	-	6,000	5,773	227	4%
Consumables	510,000	-	510,000	503,675	6,325	1%
Oils & Grease	7,600	-	7,600	7,530	70	1%
Diesel	270,000	-	270,000	265,525	4,475	2%
Petrol	48,000	-	48,000	47,360	640	1%
Board Members expenses	350,000	-	350,000	330,700	19,300	6%
Sanitary Expenses	80,000	-	80,000	77,487	2,513	3%
Store Fumigation	750,000	-	750,000	729,096	20,904	3%
Rates	420,000	-	420,000	413,851	6,149	1%

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Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
Depreciation	10,300,000	-	10,300,000	13,392,765	(3,092,765)	-30%
<b>TOTAL EXPENDITURE (B)</b>	<b>61,386,800</b>	-	<b>61,386,800</b>	<b>63,780,780</b>	<b>(2,393,980)</b>	<b>-4%</b>
Surplus /Deficit (A- B)	<b>24,813,200</b>		<b>24,813,200</b>	<b>20,021,401</b>	<b>4,791,799</b>	
<b>2. CAPITAL BUDGET FOR THE FINANCIAL YEAR 2021/2022</b>						
<b>DESCRIPTION</b>	<b>BUDGET FOR THE FY 2021/2022 (KSHS.)</b>					
Office Furnitures (4@ 25,000/=)	100,000	-	100,000			
Domestic Water Pump	100,000	-	100,000			
Lawn Mower	50,000	-	50,000			

Mwea Rice Mills Limited  
Annual Report and Financial Statements  
For the year ended June 30, 2022

Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
Automation	2,000,000	-	2,000,000			
Dehusker	800,000	-	800,000			
<b>TOTAL</b>	<b>3,050,000</b>	<b>-</b>	<b>3,050,000</b>			

## 18. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

Mwea Rice Mills Ltd was established by and derives its authority and accountability from the Companies Act Cap. 486. The Company is partially owned by the Government (National Irrigation Authority-55%) and the farmers under their Co-operative Society (Farmers Amalgamated Society-45%). Cost of sales is calculated from the opening stocks plus purchase minus the closing stock. We provide for bad and doubtful debts that are over 5 years. 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.

### 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 judgment in the process of applying the entity's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (include any other applicable legislation), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

##### (i) New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

Title	Description
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss

Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS.

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.

ii New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

<b>Title</b>	<b>Description</b>
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, 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.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

### (iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

### 3. Summary of Significant Accounting Policies

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

#### a) Revenue Recognition

- i) 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. Revenue from the sale of goods and services is recognised in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government are recognised in the year in which the entity actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position

and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds. However, the Company does not receive any grants from the National Government.

- iii) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income is recognised in the income statement in the year in which the right to receive the payment is established.
- v) Rental income is recognised in the income statement as it accrue using the effective interest implicit in lease agreements.
- vi) Other income is recognised as it accrues.

#### **b) In-kind Contributions**

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

#### **c) Property Plant and Equipment**

All items of Property, Plant and Equipment are initially measured at cost. After initial recognition they are stated at historical cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement. Revaluation of buildings and land was carried out by Ministry of Lands and Physical Planning while revaluation for motor vehicles was done by Ministry of Transport, Infrastructure, Housing and Urban Development on 30 June 2021. The complete reports were received by 30 June 2021. The fixed assets register was updated on 1 July, 2021.

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

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

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

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**e) Intangible assets**

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

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

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

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

**h) Right of Use Asset**

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

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

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

**j) Quoted investments**

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

**k) Unquoted investments**

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

**l) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**m) Trade and other receivables**

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

**n) Taxation**

**a) 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.

**b) 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.

**o) Borrowing costs**

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

**p) Cash and cash equivalents**

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

**q) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable 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 capitalized as part of the cost of the project.

**r) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect

of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**s) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Ksh.200 per employee per month.

**t) Provision for staff leave pay**

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

**u) Exchange rate differences**

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

**v) Budget information**

The original budget for FY 2021-2022 was approved by the Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of

budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

**w) Service concession arrangements**

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

**x) Comparative figures**

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

**y) 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, 2022.

**z) 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. The judgements, estimates and assumptions made in the financial year under review include:

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management did not see the need to make a further provision since the current debtors are active. Additional disclosure of these estimates of provisions is included in Note 5. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

#### 4. REVENUE

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>KSHS</b>	<b>KSHS</b>
Broken rice sales	50,140	39,440
Basmati packets sales	6,328,270	6,647,529
Bran meal sales	14,173,060	11,365,841
Course Bran	118,150	-
Chicken feed sales	2,525,588	2,231,163
Milling Income	41,122,095	29,558,897
	<b>64,317,303</b>	<b>49,842,870</b>

## 5. COST OF SALES

	2021/2022	2020/2021
	KSHS	KSHS
Paddy to mills	3,996,640	4,085,090
Salaries and Wages- Casuals	9,893,718	7,860,319
Salaries and Wages- Production/ Overtime	640,921	291,936
Electricity	13,272,954	9,848,378
Buildings mtce -General	1,192,512	1,264,712
Buildings mtce - Stores	2,223,700	1,211,865
Depreciation - Buildings	8,092,396	154,382
Hire of Transport	117,500	500
Stores Fumigation Expenses	729,096	4,770
P & M Maintenance - miscellaneous	1,749,101	328,090
Depreciation - Equipment	4,917,069	4,609,925
Bags and Packing materials	789,119	632,752
P & M Maintenance - mill 5	2,654,843	2,526,471
P & M Maintenance - mill 6	1,591,319	2,979,997
	<b>51,860,887</b>	<b>35,799,187</b>

## 6. OTHER INCOME

	2021/2022	2020/2021
	KSHS	KSHS
Rental Income	3,503,675	3,185,450
Miscellaneous Income	905,438	975,488
Storage Income	1,350	133,890
	<b>4,410,463</b>	<b>4,294,828</b>

## 7. INVESTMENT INCOME

	2021/2022	2020/2021
	KSHS	KSHS
Leader House	6,102,000	-
Massionettes	8,972,415	2,800,000
	<b>15,074,415</b>	<b>2,800,000</b>

## 8. ADMINSTRATIVE EXPENSES

	2021/2022	2020/2021
	KSHS	KSHS
<b>Staff costs</b>		
Salaries and Wages- Regular	1,503,562	2,174,956
Medical Expenses	10,000	18,300
House allowance	66,000	66,000
Leave & transfer allowance	34,487	42,904
Salaries & Wages-Gratuity	471,528	60,956
NSSF	12,000	97,000
sub-total	<b>2,097,576</b>	<b>2,460,115</b>
<b>Administrative costs</b>		
Printing and Stationery	396,077	316,943
Travelling Expenses	1,133,900	1,796,860
Travel by road	49,800	59,400
Telephone, Postages and Sundries	374,500	372,000
Building mtce- offices	290,735	91,650
Audit fees	348,000	348,000
Hire of Conference Facilities	12,000	-
Licences	72,200	79,482
Administration & accountancy fee	2,514,065	1,708,131
Computer expenses	9,605	13,450
Internet	715,059	-
Motor vehicle Mtce.	222,500	381,500
Office Machinery Expenses	5,773	2,800
Buildings mtce - Staff houses	53,500	263,652
Fire Extinguishers Servicing and Maintenance	148,800	-
Uniforms	176,252	130,281
Bank charges	56,194	88,528
<b>sub-total</b>	<b>6,578,960</b>	<b>5,652,677</b>

<b>Total</b>	<b>8,949,138</b>	<b>8,112,793</b>
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#### 9. OTHER EXPENSES

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>KSHS</b>	<b>KSHS</b>
Depreciation on Vehicles	222,381	-
Office Tea	472,867	379,190
Office Beverages	55,411	29,543
Loss on Disposal	-	7,222,603
Subscriptions and Periodicals	61,780	65,570
Freight Charge	243,500	-
Depreciation - Furniture & Fittings	8,592	13,990
Depreciation - workshop Tools	7,203	800
Marketing	299,280	20,000
Consumables	503,675	71,576
Sanitary Expenses	77,487	43,143
Water Charges	81,090	123,796
Depreciation on Computer & Accessories	145,124	90,700
Oils & Grease	7,530	11,090
Diesel	265,525	235,683
Petrol	47,360	29,219
Rates	413,851	796,190
<b>Total</b>	<b>2,912,657</b>	<b>9,133,092</b>

#### 10. BOARD MEMBERS EXPENSES

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>(KSHS)</b>	<b>(KSHS)</b>
Sitting Allowance	233,000	267,500
Accomodation allowance	16,000	-
Travel Expenses	13,000	-
Lunch Allowance	36,700	84,500
Airtime Allowance	32,000	52,000
<b>Total</b>	<b>330,700</b>	<b>404,000</b>

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**11. PROPERTY, PLANT & EQUIPMENT**

	Buildings	Plant & machinery	Workshop tools	Sewerage disposal	Motor vehicles	Furniture & equipment	Computers	Land	Biological Assets	Total
<b>COST:</b>	<b>KSHS.</b>	<b>KSHS.</b>	<b>KSHS.</b>	<b>KSHS.</b>	<b>KSHS.</b>	<b>KSHS.</b>	<b>KSHS.</b>	<b>KSHS.</b>	<b>KSHS.</b>	<b>KSHS.</b>
AS AT 01.07.2020	13,016,330	158,368,688	202,461	2,080,313	1,979,999	1,787,425	2,604,952	280,000	-	180,320,168
ADDITIONAL COST	-	-	21,500	-	-	-	433,200	-	-	454,700
DISPOSALS		(40,609,315)								(40,609,315)
<b>AS AT 30.06.2021</b>	<b>13,016,330</b>	<b>117,759,373</b>	<b>223,961</b>	<b>2,080,313</b>	<b>1,979,999</b>	<b>1,787,425</b>	<b>3,038,152</b>	<b>280,000</b>	<b>-</b>	<b>-</b>
<b>DEPRECIATION:</b>										
AS AT 01.07.2020	10,432,274	139,571,009	202,461	-	1,979,999	1,742,187	2,604,952	-	-	156,532,882
CHARGE FOR THE YEAR	154,382	4,609,925	800	-	-	13,990	90,700	-	-	4,869,797
DEP. ON DISPOSALS	-	(31,578,912)								(31,578,912)
<b>AS AT 30.06.2021</b>	<b>10,586,656</b>	<b>112,602,022</b>	<b>203,261</b>	<b>-</b>	<b>1,979,999</b>	<b>1,756,177</b>	<b>2,695,652</b>	<b>-</b>	<b>-</b>	<b>129,823,767</b>
<b>N.B.V 30.06.2021</b>	<b>2,429,674</b>	<b>5,157,351</b>	<b>20,700</b>	<b>2,080,313</b>	<b>-</b>	<b>31,248</b>	<b>342,500</b>	<b>280,000</b>	<b>-</b>	<b>-</b>
<b>COST:</b>										
AS AT 01.07.2021	13,016,330	117,759,373	223,961	2,080,313	1,979,999	1,787,425	3,038,152	280,000	-	140,165,553
ADDITIONAL COST	-	3,365,185	-	-	-	-	-	-	-	3,365,185
REVALUATION	218,459,162				892,000			33,720,000	9,400,000	262,471,162
DISPOSALS	-									-
<b>AS AT 30.06.2022</b>	<b>231,475,492</b>	<b>121,124,558</b>	<b>223,961</b>	<b>2,080,313</b>	<b>2,871,999</b>	<b>1,787,425</b>	<b>3,038,152</b>	<b>34,000,000</b>	<b>9,400,000</b>	<b>406,001,901</b>
<b>DEPRECIATION:</b>										
AS AT 01.07.2021	10,586,656	112,602,022	203,261	-	1,979,999	1,756,177	2,695,652	-	-	129,823,767
CHARGE FOR THE YEAR	8,092,396	4,917,069	7,203	-	222,381	2,967	145,124	-	-	13,387,140
DEP. ON DISPOSALS	-	-	-	-	-	-	-	-	-	-
<b>AS AT 30.06.2022</b>	<b>18,679,052</b>	<b>117,519,091</b>	<b>210,464</b>	<b>-</b>	<b>2,202,380</b>	<b>1,759,144</b>	<b>2,840,776</b>	<b>-</b>	<b>-</b>	<b>143,210,907</b>
<b>NET BOOK VALUE:</b>										
AS AT 30.06.2022	212,796,440	3,605,467	13,497	2,080,313	669,619	22,656	197,376	34,000,000	9,400,000	262,785,369
AS AT 30.06.2021	2,429,674	5,157,351	20,700	2,080,313	-	31,248	342,500	280,000	-	10,341,786

## 12. INVESTMENT PROPERTY

	2021/2022	2020/2021
<b>Cost/Revaluation</b>	<b>KSHS</b>	<b>KSHS</b>
As at 1st July 2020	675,000,000	675,000,000
As at 30th June 2021	<b>675,000,000</b>	<b>675,000,000</b>
<b>Depreciation</b>		
As at 1st July 2020	127,768,861	73,768,861
Revaluation		
Charge for the year	27,000,000	27,000,000
As at 30th June 2021	<b>154,768,861</b>	<b>100,768,861</b>
<b>N.B.V as at 30th June 2021</b>	<b>520,231,139</b>	<b>574,231,139</b>
<b>Cost/Revaluation</b>		
As at 1st July 2021	-	<b>675,000,000</b>
Revaluation (Leader House)	188,368,000	-
Revaluation ( Maissonates)	63,433,821	-
Revaluation ( Land)	331,237,550	-
As at 30th June 2022	<b>583,039,371</b>	<b>675,000,000</b>
<b>Depreciation</b>		
As at 1st July 2021	-	127,768,861
Charge for the year on revaluation	11,621,659	27,000,000
<b>As at 30<sup>th</sup> June 2022</b>	<b>11,621,659</b>	<b>154,768,861</b>
<b>N.B.V as at 30<sup>th</sup> June 2022</b>	<b>571,417,712</b>	<b>520,231,139</b>
<b>N.B.V as at 30th June 2021</b>	<b>520,231,139</b>	<b>574,231,139</b>

## 13. INVENTORIES

	2021/2022	2020/2021
	<b>KSHS</b>	<b>KSHS</b>
Spare parts	12,618,673	13,626,808

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Bags and packing materials	2,572,261	2,446,484
General store	-	185,307
Rice paddy	4,552,500	4,420,800
By Product	36,030	256,350
Milled Rice	247,860	6,880
Stationery Store	81,693	62,784
	<b>20,109,016</b>	<b>21,005,414</b>

**14. TRADE AND OTHER RECEIVABLES**

	2021/2022	2020/2021
	KSHS	KSHS
Trade debtors	13,875,862	15,361,827
Staff debtors	1,663,300	1,687,800
Interest from Bank receivable	3,606,821	3,606,821
Refundable Deposits	80,920	80,920
Continental Credit Finance (Under receivership)	16,815,053	16,815,053
	<b>36,041,956</b>	<b>37,552,421</b>
<b>Less provision for doubtful debts</b>		
Provision on interest from deposits	3,606,821	3,606,821
Provision on trade debtors	18,712	18,712
Provision on Continental Credit Finance	16,815,053	16,815,053
	<b>20,440,586</b>	<b>20,440,586</b>
	<b>15,601,370</b>	<b>17,111,835</b>

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

#### 15. CASH & CASH EQUIVALENT

	2021/2022	2020/2021
	KSHS	KSHS
BBK QUEENSWAY (NBI) A/C 0945035838	65,179,461	48,813,902
KCB Wanguru A/C 1103971387	12,303,148	33,725,920
Cash in hand - factory imprest	276	29,275
Fixed deposit-KCB Wanguru	40,000,000	-
	<b>117,482,885</b>	<b>82,569,097</b>

#### 16. TAX RECOVERABLE

	2021/2022	2020/2021
	KSHS	KSHS
Balance brought forward	1,952,021	1,952,021
Balance carried forward	1,952,021	1,952,021

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

#### 17. SHARE CAPITAL

	2021/2022	2020/2021
	KSHS	KSHS
Authorized and fully paid 250,000 ordinary shares		
Of Kshs 20/= each. The shareholding is as follows :	5,000,000	5,000,000
National irrigation Authority - 55%		
Mwea Rice Mills Ltd - 45%		

### 18. GENERAL RESERVE

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

### 19. REVALUATION RESERVE

	2021/2022	2020/2021
	KSHS	KSHS
Revaluation of Maisonettes	63,433,821	406,126,740
Revaluation of Leader House	188,368,000	141,104,399
Revaluation of Land (Outlet shop)	33,720,000	
Revaluation of Land (Maissionettes)	331,237,550	
Revaluation of Buildings	218,459,162	
Revaluation of MRM Outlet	9,480,000	-
Revaluation of Pickup KBPL 881W	892,000	-
Depreciation of Revalued assets	(11,621,659)	(27,000,000)
<b>Net book Value</b>	<b>833,888,874</b>	<b>520,231,139</b>

### 20. ACCUMULATED PROFIT/(LOSS)

	2021/2022	2020/2021
	KSHS	KSHS
Balance b/f	(12,028,864)	(14,470,902)
Profit/( loss) for the year	14,018,918	2,442,038
Balance c/f	1,990,054	(12,028,864)

### 21. CAPITAL FUND FOR MILL REHABILITATION

Capital Fund Ksh.52, 610,534.00 for mill rehabilitation is a levy based on kilograms of rice milled for the National Irrigation Authority by Mwea Rice Mills. The levy was to be used for rehabilitating the mills. The Authority has since shed off non-core functions like processing and marketing of rice and therefore, the levy is no longer chargeable.

## 22. NON- CURRENT LIABILITY

	2021/2022	2020/2021
	KSHS	KSHS
Government proposed levy **	22,037,370	22,037,370
	<b>22,037,370</b>	<b>22,037,370</b>

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

## 23. TRADE AND OTHER PAYABLES

	2021/2022	2020/2021
	KSHS	KSHS
Audit fees provision	1,740,000	1,740,000
Staff Liabilities	789,415	810,255
Tax provision	10,576,179	4,568,071
NIA current account (Inter-Co. - Creditors)	47,336,817	44,822,750
Trade	4,684,757	4,720,036
	<b>65,127,168</b>	<b>56,661,112</b>

## 24. DEPRECIATION CHARGE FOR THE YEAR

	2021/2022	2020/2021
	KSHS	KSHS
Fixed Assets Movement schedule	13,387,140	4,869,797

## 25. RELATED PARTY TRANSACTIONS

Related parties include Key Management and Board of Directors.

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

- b) The Company's board of directors and the management did not have any related party transactions with the company within the year under audit. However, there are some transactions between the Company and the NIA. as shown in note 14.

## 26. ORDINARY SHARE CAPITAL

	2021/2022	2020/2021
	Kshs	Kshs
Authorized:		
250,000 ordinary shares of KSh.20/= par value each	5,000,000	5,000,000
<b>Issued and fully paid:</b>		
250,000 ordinary shares of KSh.20/= par value each	5,000,000	5,000,000

## 27. REVALUATION RESERVE

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

## 28. FAIR VALUE ADJUSTMENT RESERVE

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

## 29. RETAINED EARNINGS

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

## TRADE RECEIVABLES

	2021/2022	2020/2021
	Ksh.	Ksh.
Gross trade receivables	13,901,062	15,361,827
Tax Recoverable	1,952,021	1,952,021
Provision for doubtful receivables	18,712	18,712
<b>Net trade receivables</b>	<b>15,871,795</b>	<b>17,332,560</b>

<b>At June 30, 2022 the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	1,808,100	1,808,100
Between 30 and 60 days	995,195	995,195
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	13,068,500	14,529,265
<b>Total</b>	<b>15,871,795</b>	<b>17,332,560</b>

### 30. FINANCIAL RISK MANAGEMENT

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

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

The company's financial risk management objectives and policies are detailed below:

#### i) Credit risk

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

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

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

#### ii) Liquidity Risk Management

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

**iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing 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) Foreign currency risk*

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Company did not have any Foreign Currency Risk during the year under review.

*b) Interest rate risk*

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels.

The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

**i) Management of interest rate risk**

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

ii) Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts.

The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the entity's market assumptions.

These two types of inputs have created the following fair value hierarchy:

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

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

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

Financial instruments not measured at fair value

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

iv) Capital Risk Management

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

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	833,888,874	520,231,139
Retained earnings	22,961,098	(12,028,864)
Capital reserve	5,000,000	5,000,000
<b>Total funds</b>	<b>861,849,972</b>	<b>513,202,275</b>
Total borrowings	-	-
Less: cash and bank balances	1,190,881,484	82,569,096
Net debt/(excess cash and cash equivalents)	2,052,731,456	595,771,371
<b>Gearing</b>	<b>-</b>	<b>-</b>

#### **Incorporation**

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

#### **Events after the Reporting Period**

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

#### **Currency**

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

## APPENDICES

### APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved

Reference No	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolve / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
<b>1. Lack of valuation of Property, Plant and Equipment.</b>	The statement of financial position reflects Property, Plant and Equipment balance of Ksh. 10,341,786 and as disclosed in Note 11 to the financial statements. This balance includes an amount of Ksh. 2,429,674 relating to buildings which were fully depreciated but had not been revalued as at 30 June, 2021. Further, the balance includes a parcel of land which was acquired in 1992 at a cost of Ksh 280,000. This land, measuring 1.62 hectares or 4.0014 acres, had not been revalued. This is contrary to the International Accounting Standard No.16 which requires regular revaluation of property, plant and equipment to ensure that the carrying amount of the assets does not differ materially with their fair value at the end of the reporting period. In the circumstances, the completeness and accuracy of the balance of Ksh. 10,341,786 could not be confirmed	Revaluation on buildings was carried out in the current financial year under review 2020/2021 by Ministry of Lands and Physical Planning in consideration of the status. However, the fixed assets register were updated from 1st July 2021. The land measuring 0.383 hectares which was acquired in 1992 at a cost of Kshs.280, 000 since has been revalued by the Ministry of Lands and Physical Planning giving it a value of Ksh. 331,237,550. However, the fixed assets register were updated from 1st July 2021	Management	Resolved	30/06/2022

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<p><b>2. Investment Properties without Ownership Document.</b></p>	<p>The statement of financial position reflects investment property with a net book value of Ksh. 520,231,139, and as disclosed in Note 12 to the financial statements. Included in this balance is the value of houses located in Kilimani Nairobi County, along Lenana Road, and a residential building located in Mwea, Kirinyaga County. However, ownership documents provided for audit indicates that the land on which the houses in Nairobi are located is registered in the name of a third party while the land on which the building in Mwea is located is registered in the name of the original owners. In addition, some of the original owners have subdivided the parcel of land and transferred its ownership to third parties. Consequently, the ownership and completeness of the investment properties amounting to Ksh. 520,231,139 could not be confirmed.</p>	<p>The ownership documents which were availed during audit exercise were old ownership documents. A search was done and the property was confirmed to be under the name of the company (MRM Ltd). However, the company has in its possession documents that detail how the transfer was made from the previous owner to it.</p> <p>As per the search which was done by L.G. Kimani &amp; Co. Advocates and Commissioners for Oaths, it is clear that the ownership of this said property is with MRM Ltd. The property was purchased under a different title regime and that is why the ownership documents are different from what we see under the current title regime. From the search document, the conveyance dated 22nd July, 1981 indicates. The Mwea Rice Mills Limited as the last entry. The process of acquiring new regime title deed (new ownership documents) is in progress and will be ready by the next audit.</p>	<p>Management</p>	<p>Not resolved</p>	<p>30/06/2023</p>
<p><b>3. Outstanding Trade and Other Receivables</b></p>	<p>The statement of financial position reflects trade and other receivables of Ksh. 17,111,835, and as disclosed in Note 14 to the financial statements. This balance is net of provision for doubtful debts on trade creditors of Ksh. 18,712, provision on interest from deposit of Kshs. 3,606,821 and provision on continental credit finance of Kshs. 16,815,053 all totaling to Ksh. 20,440,586.</p>	<p>As per the accounting policies under general policies ii, the company provides for bad and doubtful debts that are over 5 years. However, the management has procured a</p>	<p>Management</p>	<p>Not resolved</p>	<p>30/06/2023</p>

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	<p>However, age analysis revealed that trade debtors totalling to Kshs.11, 726,641 have been outstanding for over three (3) years and the debtors have not been active for a period of three years. it was not clear why the Management made a provision for doubtful debts of only Kshs. 18,712 considering the huge balance of Kshs. 11,726,641 held by inactive debtors. In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs. 11,726,835 could not be confirmed.</p>	consultant to assist in development of finance policies and manuals.			
<b>4. Unpaid and Unsupported Tax</b>	<p>The statement of financial position reflects trade and other Payables balance of Kshs. 56,661,113 which as disclosed in Note 23 to the financial statements, includes tax provision of Kshs. 4,568,071. This balance, which was brought forward from prior years, remained unpaid and the related penalties and interests on the unpaid taxes have not been provided for in the financial statements. Further, there was no evidence of measures taken by Management to pay the tax due, together with the related penalties and interest. In addition, no analysis of the outstanding taxes of Kshs. 4,568,071, was availed for audit verification. In the circumstances, the accuracy and completeness of the unpaid tax balance of Kshs. 4,568,071 could not be confirmed.</p>	<p>The figure of Ksh. 4,568,071 which refers to outstanding taxes has not been paid since the tax consultant was unable to file returns with Kenya Revenue Authority without certified financial statements.</p>	Management	Not resolved	30/06/2023
<b>5. Outstanding Tax Recoverable</b>	<p>The statement of financial position reflects a tax asset balance of Kshs. 1,952,021, as disclosed in Note 16 to the financial statements. This balance was transferred to debtor's account as a result of previous calculation and agreement between the Company, Tax Consultant and Kenya Revenue Authority (KRA) and has been outstanding since the 2016/2017 financial year. There was no evidence of measures taken by Management to recover the balance from the KRA. In the circumstances, the non-recoverability of the tax balance of Kshs. 1,952,021 was not effective management of public resources.</p>	<p>The management did not demonstrate measures taken to recover the balance from KRA. However, with the filing of the 2019/2020 returns with KRA, the management will be able to offset the current liability with the outstanding credit of Ksh. 1,952,021.</p>	Management	Not resolved	30/06/2023
<b>6. Lack of Annual General Meeting</b>	<p>The Company did not hold an Annual General Meeting during the year under review contrary to Section 310 (1) of the Companies Act, 2015 which states that every public company shall hold a general meeting as its annual general meeting within six months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period. In the circumstance, the management wa in breach of the law</p>	<p>The company did not hold the annual general meeting as the financial statements for the financial year 2020/2021 under review had not been certified.</p>	Management	Not resolved	30/06/2023

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<p><b>7. Unrecovered Debt</b></p>	<p>The Company had long overdue debt totalling to Kshs. 16,815,053 from an entity that was placed under receivership. The Company has neither followed up on how the debt could be recovered nor disclosed any indicators that the debt will ever be recovered. In the circumstance, the recoverability of the debt was doubtful.</p>	<p>i. The figure of Ksh. 16,815,053 which refers to deposits to continental Credit Finance has not been written off from the books as the management is still following up with the official receiver who has promised to refund the same.          ii. The management has procured a consultant to assist in the development of finance policies and manuals/procedures. The credit policy will also be covered under these policies. The document will be ready during this current financial year 2022/2023.</p>	<p>Management</p>	<p>Not resolved</p>	<p>30/06/2023</p>
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<p><b>8. Lack of an Audit Committee</b></p>	<p>The company did not have an Internal Audit function, during the year under review. In absence of an Internal Audit function, the Company's business and other operations, were not subjected to any internal audit review, to assess the effectiveness of internal controls, if any, designed and put in place by Management. Consequently, it was not possible to confirm the effectiveness of internal controls and risk management of the Company</p>	<p>The Company does not have an audit committee due to the lean composition of the Board. This comprises of: 1) The Chairman. 2) The Managing Director. 3) Alternate Representative Cabinet Secretary National Treasury. 4) Alternate Representative to the Principal Secretary, State Department of Irrigation Ministry of Water, Sanitation &amp; Irrigation. 5) Representative of the office of the Inspectorate to State Corporations. Due to this lean composition, audit matters are handled by the full board.</p>	<p>Management</p>	<p>Not Resolved</p>	<p>30/06/2023</p>
<p><b>9. Lack of Credit Policy</b></p>	<p>The Company does not have a credit policy in place to guide on how to handle debts leading to inability to identify debt risk and how to collect them. In the circumstance, it was not possible to confirm the internal controls in debt management of the Company.</p>	<p>The management has procured a consultant to assist in development of finance policies and manuals.</p>	<p>Management</p>	<p>Not Resolved</p>	<p>30/06/2023</p>

**ENG. CHARLES MUASYA**

**AG. MANAGING DIRECTOR.**

Sign.....  


DATE.....17/03/2023

**APPENDIX I1: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/ duration</b>	<b>Donor commitment</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements (Yes/No)</b>
1						
2						

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

**Status of Projects completion**

	<b>Project</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1							
2							
3							

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

**APPENDIX III: INTER-ENTITY TRANSFERS**

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

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

**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Where Recorded/recognized		
				Statement of Financial Performance	Capital Fund	Deferred Income
<b>Total</b>			-	-	-	-

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