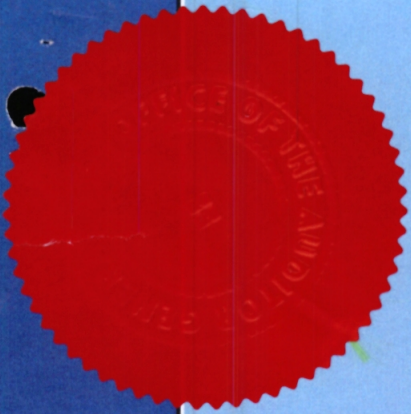


REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY

REPORT

DATE: 28 MAY 2025

DAY:
Wednesday

TABLED
BY:
OF
CLERK-AT
THE-TABLE

Hon. Owen Bayo, MP
Deputy Leader of the
Majority Party
Esther Ngunjo

THE AUDITOR-GENERAL

ON

MWEA RICE MILLS LIMITED

FOR THE YEAR ENDED

30 JUNE, 2024



MWEA
RICE MILLS
LIMITED



OFFICE OF THE AUDITOR GENERAL
PO BOX 30054 - 00100, NAIROBI
REGISTRY

31 DEC 2024

RECEIVED

MWEA RICE MILLS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

Prepared in accordance with the International Financial Reporting Standards (IFRS)

Mwea Rice Mills Limited

Annual Report and Financial Statements for the year ended June 30, 2024

Mwea Rice Mills Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Table of Contents	Page
1. Acronyms and Glossary of Terms	ii
2. Key Entity Information.....	iii
3. The Board of Directors.....	vi
4. Key Management Team	xii
5. Fiduciary Management.....	xiv
6. Fiduciary Oversight Arrangements	xiv
7. Chairman’s Statement	xv
8. Report of the Managing Director.....	xvi
9. Statement of Performance against Predetermined Objectives for FY 2023/24	xvii
10. Corporate Governance Statement.....	xviii
11. Management Discussion and Analysis	xx
12. Environmental and Sustainability Reporting.....	xxi
13. Report of the Directors	xxv
14. Statement of Directors’ Responsibilities	xxvi
15. Report of the Independent Auditors on the financial statements for Mwea Rice Mills Limited.....	xxix
16. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 th June 2024.....	1
17. Statement of Financial Position as at 30 June 2024	2
18. Statement of Changes in Equity for the year ended 30 June 2024	4
19. Statement of Cash Flows for the year ended 30 June 2024	5
20. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2024	6
21. Notes to the Financial Statements	7
22. Appendices	44

1. Acronyms and Glossary of Terms

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

2. Key Entity Information

a) Background information

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

b) Principal Activities

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

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

c) Directors

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

- | | | |
|--|--|---------------------------|
| 1. Eng. Gilbert Mutua
Maluki Ndonye | - Chairman | - Appointed on 18/05/2023 |
| 2. Mr. Nicholus Mwangi | - Vice Chairman MRGM | - Appointed on 29/07/2021 |
| 3. Mr. Ndege Muiruki | - Chairman MRGM | - Appointed on 30/10/2019 |
| 4. Mr. Daniel Odhiambo
Odero | - Alternative to PS, State Department
of Irrigation, Ministry of Water
Sanitation and Irrigation | - Appointed on 28/09/2023 |

Mwea Rice Mills Limited
Annual Report and Financial Statements for the year ended June 30, 2024

5. Mr. Victor Momanyi - Representative of Inspector - Appointed on 08/06/2022
General State Corporations
6. Mr. Charles Kairu - Alternative representative to CS, - Appointed on 20/05/2020
National Treasury
7. Eng. Charles Muasya, - Managing Director - Appointed on 06/12/2022
MBS

d) Company Secretary

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

e) Factory

Mwea
P.O. Box 80
Wanguru

f) Company Headquarters

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

g) Company Contacts

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

h) Company Bankers

1. Kenya Commercial Bank
P.O. Box 393
WANGURU
2. ABSA Bank Ltd
Queensway house
P.O. Box 30011
NAIROBI

Key Entity Information (continued)

i) Independent Auditors


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



j) Principal Legal Advisers


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



3. The Board of Directors

SN	Directors	Details
1.	<p>ENG. GILBERT MUTUA MALUKI NDONYE - CHAIRMAN</p> 	<p>Eng. Gilbert Mutua Maluki was appointed as the Chairman of National Irrigation Authority Board of Directors through Kenya Gazette Notice No. 6281 of the Kenya Gazette Vol. CXXV-No. 116, dated on May 19, 2023. He holds a Bachelor of Science Degree in Agricultural Engineering from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and certificates in Finance Management and Sales & Marketing. Some of his key achievements include the design and development of a token-based Smart Meter for Liquefied Petroleum Gas (LPG) cylinders and facilitating its implementation and rollout in the East Africa region (Kenya, Uganda, and Tanzania) at M-Gas PLC. He was also a principal member of the team involved in building Pro Gas from inception to become the regional leader in LPG, with a 48% market share. He is a proactive, conscientious and adaptable professional with over ten years of experience in multi-layered projects and operational works in the oil and gas industry in East and Southern Africa (Kenya, Tanzania, and Mozambique), with an impeccable track record of performance. He has outstanding leadership and management skills that have ensured exemplary achievements which have propelled organizations he has worked for to higher levels.</p> <p>His background in Agricultural Engineering, coupled with his experience in various leadership and management roles from M-Gas Kenya PLC, Proto Energy Kenya Limited, Oryx Energy PLC, and Total Kenya PLC, will enable him to lead the National Irrigation Authority Board in implementing the Authority's mandate and vision of providing water to every irrigable acre. This will contribute towards reducing the cost of living by improving agricultural</p>

		productivity within the framework of the Bottom-Up Economic Transformation Agenda (BeTA).
2.	<p>MR NDEGE MURIUKI - NON-EXECUTIVE DIRECTOR</p> 	<p>Mr. Ndege Muriuki joined the Authority on 30th October 2019. He sits on the Board by virtue of being the Chairman of Mwea Rice Growers Multi-Purpose Cooperative Society (MRGM). He is a Rice Farmer</p> <p>He is a long serving member of the MRGM having joined in 14th March 2003, a position he continues to hold up to date. He has previously worked as an accountant at Harambee Sacco as well as a Secretary manager at Mwea Amalgamated Rice Growers Cooperative Society Ltd which is a predecessor of MRGM</p>
3.	<p>MR. NICHOLUS MWANGI, NON-EXECUTIVE DIRECTOR</p>	<p>Mr. Nicholas Mwangi Was appointed to the Board of MRM Ltd on 29th July 2021 upon election by the Mwea rice growers Farmers.</p>

		
<p>4.</p>	<p>MR. DANIEL ODHIAMBO ODERO, ALTERNATE TO THE PRINCIPAL SECRETARY, STATE DEPARTMENT FOR IRRIGATION</p> 	<p>Mr. Daniel Odhiambo Odera was appointed to the Board on September 28, 2023. He holds a Master of Science (MSc.) degree in Agricultural and Applied Economics (CMAAE) and a Bachelor of Science (BSc.) in Agriculture both from the University of Nairobi, Kenya. Mr. Odera has also received specialized training in various areas related to agriculture and development, including Water-saving agricultural technologies for Kenya in Yangling, People’s Republic of China, intensive crop production with modern technologies in Mashav, Israel, and Resilience Index Measurement and Analysis from FAO/IGAD. Additionally, he has undergone training in Monitoring & Evaluation, Data Management & Analysis for Agricultural & Rural Development Programmes with In-depth Research Services, Agricultural Development Policy and Planning for Developing Countries and Agricultural Products Circulation and Trade for African Countries in Beijing, China, and Strategic Leadership Development Programme and Senior Management Course at Kenya School of Government. He is also a member of the Association of African Agricultural Economists (AAAE).</p>

		<p>. Among others, his responsibilities include formulating and implementing programs and projects for irrigation scheme management, promoting climate-smart and water-saving irrigation technologies, and overseeing irrigation water development. Moreover, he serves as the National Programme Coordinator for KfW-funded projects on irrigation and water harvesting and storage in Kenya</p> <p>Prior to his current roles, Mr. Odero has held positions in the Ministry of Agriculture, Livestock, and Fisheries, in several roles including Monitoring & Evaluation Officer for the Drought Resilience and Sustainable Livelihoods Programme in the Horn of Africa and Chief Agriculture Officer.</p>
<p>5.</p>	<p>MR. VICTOR MOMANYI, ALTERNATE TO INSPECTOR GENERAL, STATE CORPORATIONS</p> 	<p>Mr. Victor Momanyi was appointed to the Board on 8th June 2022. He is a holder of Masters Degree in Public Sector Management from Africa University and Bachelor's Degree in Education from Kenyatta University. He currently holds the office as Deputy Inspector General (Investigations), Inspectorate of State Corporations, Cabinet Affairs office. He is a member of Association of Public Administration and Management (APAM) (Kenyan Chapter).</p>
<p>6.</p>	<p>MR. CHARLES KAIRU – ALTERNATE REPRESENTATIVE TO PRINCIPAL</p>	<p>Mr. Charles Kairu was appointed to the Board on 20th May 2020 as alternate Director to the Principal</p>


	<p>SECRETARY, NATIONAL TREASURY NON-EXECUTIVE DIRECTOR</p> 	<p>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</p>
<p>7.</p>	<p>ENG. CHARLES MUASYA, MBS – MANAGING DIRECTOR</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 20 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.</p>
<p>8.</p>	<p>MS. JULLYANNE AWINO OKELLO – AG. PRINCIPAL PLANNING OFFICER (M&E) / AG. COMPANY SECRETARY</p>	<p>Ms. Jullyanne is the Ag. Corporation Secretary of the Authority since 28th February 2023. She provides Board Secretarial Duties and ensures that the Board has the resources required to fulfil its fiduciary duties. She is</p>

	 A portrait of a woman with dark skin and her hair styled in braids. She is wearing a white blazer with a colorful floral pattern and a black top. She is smiling and looking directly at the camera.	<p>also the Ag. Principal Planning Officer, heading the Monitoring and Evaluation function of the Institution. Ms. Okello holds a Bachelor of Science from Kenyatta University, a Master of Business Administration from The University of Nairobi and a Master of Science in Project Management from Jomo Kenyatta University of Agriculture and Technology. She is currently pursuing a Master of Science in Monitoring and Evaluation and a Doctor of Philosophy in Project Management both at Jomo Kenyatta University of Agriculture and Technology</p>
--	--	--

4. Key Management Team

SN	Management	Details
1.	<p>ENG. CHARLES MUASYA, <i>MBS</i> – MANAGING DIRECTOR</p> 	<p>Eng. Charles Muasya was appointed the Ag. Chief Executive Officer on November 6, 2022. He is the Managing Director of the Company by virtue of him being the 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>
2.	<p>MR. DANIEL ATULA MASATIA, - DEPUTY GENERAL MANAGER – CORPORATE SERVICES.</p> 	<p>Mr. Daniel Atula Masatia was appointed the Deputy General Manager (Corporate Services) on 1st February 2023 having acted in that capacity for 3 years. Preceding his appointment as the Deputy General Manager (CS), he was the Deputy General Manager, Operations & Irrigation Management Services of National Irrigation Authority since 2018. He holds an MBA in Strategic Management and Bachelor of Science degree in Agriculture from University of Nairobi.</p> <p>He is an accomplished Agriculturalist and Manager with experience of over 30 years in Scheme, Projects and Research Operations, Planning and Strategy Formulation and Implementation, Resource Mobilization, Formulation and execution of Irrigation Programmes ranging from Development to Operations. His experience and expertise is valuable in Policy Formulation and in the provision of Irrigation Services.</p>

<p>3.</p>	<p>MR. JOEL KIPKEMBOI TANUI- DEPUTY GENERAL MANAGER – OPERATIONS.</p> 	<p>Mr. Tanui is the Ag. Deputy General Manager, Operations and Irrigation Management Services beginning 1st February 2023. He is also the Chief Officer (OIMS). In this position, he is in charge of all Irrigation Schemes in the country. Preceding his appointment, he served as the Scheme Manager, Western Kenya Schemes for 6 years and a Regional Co-ordinator, Nyanza Region for 2 years.</p> <p>Mr. Tanui holds a Master of Science in Agricultural Production Chain Management from Van Hall Laventein University, the Netherlands and a Master of Business Administration in Strategic Management from Maseno University. He holds a Certificate in Irrigated Rice Cultivation and Post-Harvest Management from Yamagata University, Japan; Post Graduate Fellowship in Irrigation and Water Resource Management from University of Queensland, Australia as well as Diploma in Innovations Management from International Business Management Institute, Germany.</p>
<p>4.</p>	<p>CPA JEDIDAH N. ODUORI – CHIEF OFFICER, FINANCE</p> 	<p>CPA 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 Company.</p>

5.	<p>MS. JULLYANNE AWINO OKELLO – AG. PRINCIPAL PLANNING OFFICER (M&E) / AG. COMPANY SECRETARY</p> 	<p>Ms. Jullyanne is the Ag. Corporation Secretary of the Authority since 28th February 2023. She provides Board Secretarial Duties and ensures that the Board has the resources required to fulfil its fiduciary duties. She is also the Ag. Principal Planning Officer, heading the Monitoring and Evaluation function of the Institution. Ms. Okello holds a Bachelor of Science from Kenyatta University, a Master of Business Administration from The University of Nairobi and a Master of Science in Project Management from Jomo Kenyatta University of Agriculture and Technology. She is currently pursuing a Master of Science in Monitoring and Evaluation and a Doctor of Philosophy in Project Management both at Jomo Kenyatta University of Agriculture and Technology.</p>
----	---	---

5. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	MD	Eng. Charles Muasya, MBS.
2.	Deputy General Manager – Corporate Services.	Mr. Daniel Masatia Atula.
3.	Ag. Deputy General Manager - Operations & Irrigation Management Services	Mr. Joel Kipkemboi Tanui.
4.	Head of Finance	CPA. Jedidah Narocho Oduori.

6. Fiduciary Oversight Arrangements

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

7. Chairman's Statement

The financial year 2023/2024 witnessed a remarkable improvement of the Mwea Rice Mill Ltd on its social and financial status. The company was not only able to meet its financial obligation but was also able to invest idle funds in fixed deposit accounts.

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

What is important now is to keep 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 measures we have and continue to put in place for the holistic improvement of the company and enhancement of the shareholder's wealth.

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

Sign:  Date: 23/12/2024

ENG. GILBERT MUTUA MALUKI NDONYE
CHAIRMAN OF THE BOARD

8. Report of the Managing Director

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

We are optimistic that the company's future is bright owing to several measures that we have continued to put in place.


The enterprise resource planning (ERP) system has greatly assisted the management in monitoring the financial performance of the company. This financial year 2023/2024 has proved that with proper management, the company can reclaim its dominance in the rice-business sector.

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

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

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

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

Sign:  Date: 23/12/2024

ENG. CHARLES MUASYA, *MBS*
MANAGING DIRECTOR

9. Statement of Performance against Predetermined Objectives for FY 2023/24

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 2023-2024.

10. Corporate Governance Statement

Overview

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

Composition of the board

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

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

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

The role of the board

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

The Board is also responsible for the following:

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

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

Board meetings

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

Directors' Remuneration

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

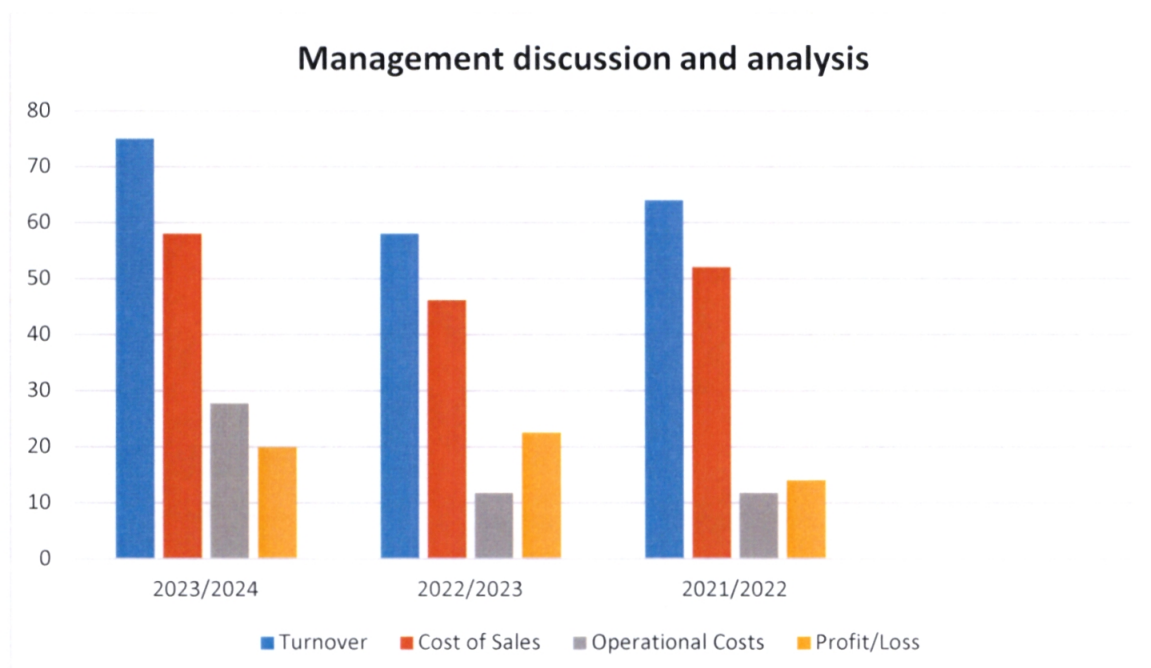
Communication with stakeholders

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

11. Management Discussion and Analysis

The Company’s turnover decreased from Kshs. 64,317,303 in the financial year 2021/2022 to Kshs. 58,809,583.00 in the financial year 2022/2023. However, the turnover increased to Kshs. 75,901,792 in the current financial year under review. This represents 29.06% increase when compared with the previous year. On the other hand, cost of sales decreased from Kshs. 52,037,139 in the financial year 2021/2022 to Kshs. 46,117,978 in the financial year 2022/2023. However, this increased to Kshs. 58,459,457 in the current financial year under review, representing 26.76% increase. Further, the operational costs decreased from Kshs. 11,743,641.00 in the financial year 2021/2022 to Kshs. 11,731,692 in the financial year 2022/2023 and increased to Kshs. 27,729,602 in the current financial year under review, representing 136.36% increase. As indicated in the chart, the profits increased from Kshs. 14,014,980.70 in the year 2021/2022 to Kshs. 22,530,745 in the financial year 2022/2023. However, this decreased to Kshs. 19,907,810 in the current financial year under review, representing 11.64% decrease. This information is highlighted, in the form of a bar chart below.

Figure 1: Y Axis represents Kshs. In Millions



12. Environmental and Sustainability Reporting

Mwea Rice Mills 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 business plan, which is founded on MRM pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is the brief highlight of our achievements in each pillar;

1. Sustainability Strategy and Profile

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

In 1997, Mwea Irrigation Scheme (MIS) farmers agitated for a liberalized market through which they could sell their produce. Thus, detaching themselves from the services that were offered to them by the Authority. This resulted to private millers coming into the milling business. Such millers 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 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 2022/2023 the company was able to realise a profit of Kshs.22.5M after tax besides meeting its financial obligations over the period. The management has instituted several measures intended for upgrading its profits 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 checks and balances in the organization in order to safeguard customer's paddy which made some other millers to seek milling services from MRM. This in no doubt will impact positively on the sustainability of the company.
- iii. The macroeconomic measures undertaken in 2022/2023 will start bearing fruits in the years to come where the profitability index is expected to be enhanced.

2. Environmental Performance

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

Below are the outlined successes of the policy;

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

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

- i. Rice husk is disposed off appropriately without causing environmental hazard to the public.
- ii. Employees and customers of the company work in clean and safe environment.
- iii. Trees are planted on all unutilized land that belong to the company in order to boost the country's forest cover by 10% as directed by the government.

- iv. There shall be a continuous check of any material/materials that may impact negatively on the public and environment in general. In case of any such materials, remedial action shall be taken.
- v. There is full collaboration between the Company and the Ministry of Environment and Forestry in matters pertaining to the environment.

3. Employee Welfare

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

4. Market Place Practices

MRM has outlined its effort to;

(a) Responsible Competition Practice

MRM today operates in an oligopolistic environment where stiff competition is the order of the day. In such an environment the company has endeavoured to winning customers by practicing honesty, accountability, reliability, respect and safety measures. This has enabled the company to have a competitive edge over her competitors.

(b) Responsible Supply Chain and Supplier Relations

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

(c) Responsible Marketing and advertisement

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

(d) Product Stewardship

MRM products are known by a wide range of consumers who come to buy from the factory and at NIA Head office. Most of these products are well packed and weighed in accordance to the standards established.

MRM products are tested and certified by KEBS.

5. Corporate Social Responsibility /Community Engagements

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

13. Report of the Directors

The Directors submit the annual report together with the financial statements for the year ended June 30, 2024, which show the state of affairs of Mwea Rice Mills Ltd..

i) Principal activities

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

ii) Results

The results of the entity for the year ended June 30, 2024, are set out on pages 1 to 6.

iii) Dividends

The Directors recommended the payment of a first and final dividend for the year under review of Kshs. 22.42 per ordinary share, amounting to Kshs. 11,265,371.00. This is subject to withholding tax where applicable.

iv) Directors

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

v) Auditors

The Auditor-General is responsible for the statutory audit of MRM in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 and no Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *Mwea Rice Mills Limited Company* for the year/period ended June 30, 2024, in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

.....

Ms. Jullyane Okello Awino

Ag. Company Secretary

Date 23/12/2024

14. Statement of Directors' Responsibilities

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

The Board's responsibility includes:

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

Mwea Rice Mills Ltd. 's financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act, 2015.

Mwea Rice Mills Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Mwea Rice Mills Ltd.'s financial statements give a true and fair view of the state of Mwea Rice Mills Ltd.'s transactions during the financial year ended June 30, 2024, and of the Mwea Rice Mills Ltd.'s financial position as at 30th June 2024. The Directors further confirm the completeness of the accounting records maintained for the Mwea Rice Mills Ltd., which have been relied upon in the preparation of the Mwea Rice Mills Ltd.'s financial statements as well as the adequacy of the systems of internal financial control.

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

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

Approval of the financial statements

The *Mwea Rice Mills Ltd.*'s annual report & financial statements were approved by the Board on 23 | 12 | 2024 and signed on its behalf by:



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



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

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mwea Rice Mills limited set out on pages 1 to 46, which comprise the statement of financial position as at 30 June, 2024, 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, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Trade and Other Receivables

The statement of financial position and Note 18 to the financial statements reflects trade and other receivables balance of Kshs.6,381,444. However, the following anomalies were noted;

1.1 Long Outstanding Trade Receivables

The amount is net of provision for doubtful debts on trade receivables of Kshs.10,504,592. Review of ageing analysis revealed that trade receivables totaling Kshs.15,119,415 have been outstanding for over three years and the debtors have been inactive for a period of more five (5) years and documents to support these trade and other receivables were not provided for audit.

Further, included in the trade receivables is a balance of Kshs.1,952,021 in respect to current asset of tax owed to the company by Kenya Revenue Authority (KRA). The amount has been outstanding since financial year 2016/2017 and no documentary evidence has been provided to support the amount or measures taken by management to recover the debt.

1.2 Long Outstanding Staff receivables

The balance of trade and other receivables includes staff receivables of Kshs.1,685,700. Review of staff receivables showed long outstanding staff imprests amounting to Kshs.1,663,300 some of which has been outstanding since January 2019.

In the circumstances, the accuracy, completeness and recoverability of trade and other receivables balance of Kshs.6,381,444 could not be confirmed.

2.0 Other Income

The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.30,393,629 relating to other income. The following unsatisfactory matters were noted;

2.1 Inaccuracies in Investment Income

Included in this amount is investment income amount totaling Kshs.24,821,847 in respect of two properties owned by the Company within Nairobi County. Review of the rental income records against the agreed monthly income for each tenant revealed that the Company's expected rental income for the year under review was Kshs.26,813,880. However, the reported rental income was Kshs.24,821,847 resulting in an unexplained variance in rental income of Kshs.1,992,033.

2.2 Unsupported Miscellaneous Receipts

The other income earned by the company includes an amount of Kshs.1,697,260 in respect to other miscellaneous receipts which includes parking fees, sale of husk, kiosk charges, hawking charges, sale of firewood, sale of colour sorter, rice grading and school visits charges. However, the income was not supported with the approved price list stating the costing of each component.

In the circumstances, the accuracy and completeness of other income amount of Kshs.30,393,629 could not be confirmed.

1.0 Un-supported Capital Fund for Mill Rehabilitation

The statement of financial position reflects capital fund for mill rehabilitation of Kshs.52,610,534 as disclosed in Note 25 to the financial statements. The rehabilitation fund was a levy based on kilograms of rice milled for the National Irrigation Authority by Mwea Rice Mills Limited. However, the capital fund was not supported by any verifiable documents.

In the circumstances, the accuracy and completeness of the capital fund for mill rehabilitation totaling Kshs.52,610,534 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Mwea Rice Mills limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1.0 Long Outstanding Government Levy Payable to National Irrigation Authority

The statement of financial position and Note 26 to the financial statements reflects an amount of Kshs.22,037,370 in respect to government levy. Management of National Irrigation Authority imposed a levy on Mwea Rice Mills Ltd to help the Board meet the development loan principal and interest repayments. The levy was intended to ease the Company's burden in repaying the loan through National Irrigation Authority. However, the amount is still outstanding since 1988 and no documentary evidence was provided to show how the management intends to clear this long outstanding non-current liability.

2.0 Long Outstanding Trade and Other Payables

The statement of financial position and Note 27 to the financial statements reflects Kshs.40,232,681 in respect to trade and other payables. Included in the figure is Kshs.35,340,241 payable to National Irrigation Authority being the amount owed to the Authority by the Company which relates to administration and accountancy fee. Review of MRM-NIA administration and accountancy fee agreement revealed that MRM is required to pay 3% of her total turnover at the end of each financial year where the liabilities are as per the certified accounts for various financial years which has been outstanding over a period of time. However, no explanation has been provided for the non- clearance of the outstanding debts.

Further, the payables aging analysis revealed that trade and other payables totaling to Kshs.1,827,662 have been outstanding for over three (3) years.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Audit Act, 2015 and Public Sector Accounting Standards Board reporting templates.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

1. Lack of Gender Diversity in the Board of Directors

During the period under review, it was noted that the Company Board of Directors consisted of eight (8) Board Members, where only one was a female member. This was

contrary to the Mwongozo Chapter 1 on Governance of Principles which provides that the composition and size of the Board should provide gender diversity, competences and skills required for the effective leadership of the organization.

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

2. Irregular Engagement of Casual Workers

The statement of profit or loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects cost of sales amounting to Kshs.58,459,457 which includes basic pay amounting to Kshs.9,146,755 paid to casual employees for the period July 2023 to June 2024. Review of muster roll and payroll revealed that casual employees were engaged continuously for period exceeding three months where the Company has been engaging casual employees on temporary basis on a three months' renewable contract since February 2019 and they've all served the entity for a continuous period of more than one year. This was contrary to section 37 of the Employment Act, 2007.

In the circumstances, the Company was in contravention of the labour laws and the continued employment of staff on casual terms may affect their morale and subsequently affect the efficient and effective delivery of the Company's mandate.

3. Lack of an Approved Staff Establishment

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

In the circumstances, lack of an approved staff establishment implies that the entity cannot identify its human resource capacity gaps and the commensurate skills and qualifications which are lacking.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance

section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Strategic Plan

Mwea Rice Mills limited lacks an approved strategic plan to provide a long-range overview of budgetary needs and raises concerns regarding the Company's capacity to effectively manage and align its activities with its long-term objectives.

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

2. Failure to Tag Company Assets

The Statement of financial position and Note 15 to the financial statements reflects property, plant and equipment amounting to Kshs.242,368,972. Physical verification of the Company's assets at the factory revealed that the company had not tagged its assets in a way they can easily be verified. Further, the residential houses were marked with paints which has since faded and it was not possible to match some of these records in the asset register.

In the circumstances, the Company's proper control, identification and safeguard of its assets could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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's, 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

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

Mwea Rice Mills Limited**Annual Report and Financial Statements for the year ended June 30, 2024****16. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2024.**

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Revenues			
Revenue from Contracts with Customers	6	75,901,792	58,809,583
Cost of sales	7	(58,459,457)	(46,117,978)
Gross profit		17,442,335	12,691,605
Other income			
Finance income	8	8,333,366	2,715,342
Other income	9	30,393,629	28,511,524
Total revenues		56,169,330	43,918,471
Operating expenses			
Administration costs	10	27,729,602	11,731,692
Total operating expenses		27,729,602	11,731,692
Profit/(loss) before taxation		28,439,728	32,186,779
Income tax expense/(credit)	12	8,531,918	9,656,034
Profit/(loss) after taxation		19,907,810	22,530,745
Total comprehensive income for the year		19,907,810	22,530,745

Mwea Rice Mills Limited

Annual Report and Financial Statements for the year ended June 30, 2024

17. Statement of Financial Position as at 30 June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Assets			
Non-Current Assets			
Property, Plant And Equipment	15	242,368,972	251,952,314
Investment Property	16	550,687,552	560,661,601
Total Non-Current Assets		793,056,524	812,613,915
Current Assets			
Inventories	17	17,075,502	18,688,939
Trade And Other Receivables	18	6,381,444	16,028,858
Tax Recoverable	19	1,952,021	1,952,021
Bank And Cash Balances	20	190,450,568	152,746,633
Total Current Assets		215,859,534	189,416,451
		1,008,916,058	1,002,030,366
Equity And Liabilities			
Capital And Reserves			
Ordinary Share Capital	21	5,000,000	5,000,000
Revaluation Reserve	22	811,944,102	821,918,150
General Reserve	23	8,700,000	8,700,000
Retained Earnings	24	48,594,082	17,560,868
Capital fund For Mill Rehabilitation	25	52,610,534	52,610,534
Capital And Reserves		926,848,718	905,789,552
Non-Current Liabilities			
Government Levy	26	22,037,370	22,037,370
Total Non-Current Liabilities		22,037,370	22,037,370
Current Liabilities			
Trade And Other Payables	27	40,232,681	58,941,417
Dividends Payable	28	11,265,371	5,605,993
Tax Payable	12	8,531,918	9,656,034
Total Current Liabilities		60,029,970	74,203,444
Total Equity And Liabilities		1,008,916,058	1,002,030,366

Mwea Rice Mills Limited

Annual Report and Financial Statements for the year ended June 30, 2024

The financial statements were approved by the Board on 23 / 12 / 2024 and signed on its behalf by:



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



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



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

Mwea Rice Mills Limited
Annual Report and Financial Statements for the year ended June 30, 2024

18. Statement of Changes in Equity for the year ended 30 June 2024

Description	Ordinary share capital	Revaluation reserve	General reserve	Retained earnings	Capital/Development Grants/Fund	Total
As at July 1, 2022 (Previous FY)	5,000,000	833,888,874	8,700,000	1,986,116	52,610,534	902,185,524
Amortization	-	(11,970,724)	-	-	-	(11,970,724)
Profit for the year	-	-	-	22,530,745	-	22,530,745
Proposed final dividends	-	-	-	(5,605,993)	-	(5,605,993)
Retained earnings adjustments	-	-	-	(1,350,000)	-	(1,350,000)
Reinstatement*	-	-	-	22,390,775	-	22,390,775
At June 30, 2023 (Previous FY)	5,000,000	821,918,150	8,700,000	39,951,643	52,610,534	928,180,327
As at July 1, 2023 (Current FY)	5,000,000	821,918,150	8,700,000	39,951,643	52,610,534	928,180,327
Amortization	-	(9,974,049)	-	-	-	(9,974,049)
Profit for the year	-	-	-	19,907,810	-	19,907,810
Proposed final dividends	-	-	-	(11,265,371)	-	(11,265,371)
At June 30, 2024 (Current FY)	5,000,000	811,944,101	8,700,000	48,594,082	52,610,534	926,848,718

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

Description	Debit	Credit
Overprovided PAYE Liability for June 2019		17,987
Overprovided NHIF Liability and Net Pay Liability for the financial year 2019-2020		115,633.08
Revenue from sale of rice to MIAD erroneously posted to debtors card without an invoice		19,200
Storage Rent from MIAD and Memba Sacco receipted without applying to the respective Invoices earlier raised	790,000	
Rental revenue from Memba Sacco for October and December 2020 was erroneously credited to the debtor, resulting in the failure to recognize the income component.		30,000
Correction of duplicate journal entries for dividend liabilities.		1,350,000
Sacco Deductions, Kenya Power & Packaging materials liability settled but erroneously appeared as outstanding liability.		1,422,500.14
PAYE Liability settled without recognizing the corresponding liability component	5,070	
Overprovision of corporate tax liability over the years reduced by allowable deductions		20,230,524.90
Total		22,390,775

Mwea Rice Mills Limited

Annual Report and Financial Statements for the year ended June 30, 2024

19. Statement of Cash Flows for the year ended 30 June 2024

Description	Note	2024	2023
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations	29	37,772,934	50,639,774
Taxation paid		-	(9,656,034)
Net cash generated from/(used in) operating activities		37,772,934	40,983,740
Cash flows from investing activities			
Purchase of property, plant and equipment		(69,000)	(114,000)
Net cash generated from/(used in) investing activities		(69,000)	(114,000)
Cash flows from financing activities			
Dividends paid		-	(5,605,992)
Net cash generated from/(used in) financing activities		-	(5,605,992)
Increase/(decrease) in cash and cash equivalents		37,703,935	35,263,748
Cash and cash equivalents at beginning of year		152,746,633	117,482,885
Cash and cash equivalents at end of the year	29	190,450,568	152,746,633

Mwea Rice Mills Limited
Annual Report and Financial Statements for the year ended June 30, 2024

20. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a Kshs	b Kshs	c = a + b Kshs	d Kshs	F = c - d Kshs	d/c %
Revenue						
Sale of goods	30,000,000	-	30,000,000	30,151,326	(151,326)	101%
Sale of services	46,000,000	-	46,000,000	45,750,466	249,534	99%
Finance income	8,300,000	-	8,300,000	8,333,366	(33,366)	100%
Other income	29,300,000	-	29,300,000	30,393,629	(1,093,629)	104%
Total income	113,600,000	-	113,600,000	114,628,787		
Expenses						
Compensation of employees	3,700,000	-	3,700,000	3,635,504	64,496	98%
Use of goods and services	75,000,000	-	75,000,000	76,682,204	(1,682,204)	102%
Other payments	5,800,000	-	5,800,000	5,871,351	(71,351)	101%
Total expenditure	84,500,000	-	84,500,000	86,189,059		
Surplus for the period	29,100,000	-	29,100,000	28,439,728		

21. Notes to the Financial Statements

1. General Information

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

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

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

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions.

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

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

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

Notes to the Financial Statements (Continued)

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

Notes to the Financial Statements (Continued)**Application of New and Revised International Financial Reporting Standards (IFRS)****ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.***

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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

iii. *Early adoption of standards*

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

Notes to the Financial Statements (Continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the *company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognized in the year in which the *company* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Freehold Land	Nil
Buildings and civil works	25 years
Plant and machinery	8 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	8 years

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

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

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

j) Quoted investments

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

k) Unquoted investments

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

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 been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

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

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

n) Taxation

i) Current income tax

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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

o) 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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

Deferred Tax

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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

p) Borrowing costs

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

q) Cash and cash equivalents

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

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the

period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

s) 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.

t) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2022. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080.00 per employee per month.

u) 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.

v) 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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2023/2024 was approved by the Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 6 of these financial statements.

Notes to the Financial Statements (Continues)

a) 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.

b) Comparative figures

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

c) 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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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

Notes to the Financial Statements (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 5.

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

Notes to the Financial Statements (Continues)

6. Revenue from contract with customers

Description	2023/2024	2022/2023
	Kshs	Kshs
Sale Of Goods	30,151,326	25,656,977
Sale Of Services	45,750,466	33,152,606
Total	75,901,792	58,809,583

7. Cost of Sales

Description	2023/2024	2022/2023
	Kshs	Kshs
Cost of sales on goods	48,907,474	40,224,813
Cost of sales on services	9,551,983	5,893,166
Total	58,459,457	46,117,978

8. Finance Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest from commercial banks and financial institutions	8,333,366	2,715,342
Total	8,333,366	2,715,342

9. Other Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Investment Income	24,821,847	23,787,813
Rental Income	3,874,522	3,621,673
Other Miscellaneous Receipts	1,697,260	1,102,038
Total	30,393,629	28,511,524

Included in the miscellaneous receipts, are Kshs. 300,000 for sale of 150 trees.

Notes to the Financial Statements (Continued)

10. Administration Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Staff costs (note (10a))	3,635,504	1,867,957
Directors' emoluments	546,000	414,400
Electricity and water	333,327	170,529
Communication services and supplies	344,000	370,500
Transportation, travelling and subsistence	1,198,436	1,034,408
Advertising, printing, stationery and photocopying	154,386	427,198
Rent expenses	607,950	453,750
Hospitality supplies and services	24,500	40,000
Bank charges and commissions	82,694	61,197
Office and general supplies and services	1,011,224	895,851
Auditors' remuneration	348,000	348,000
Legal fees	616,980	-
Licenses and permits	-	134,000
Repairs and maintenance	2,149,780	1,776,857
Depreciation	319,590	400,340
Provision for bad and doubtful debts	10,485,880	-
Other Operating Expenses	5,871,351	3,336,705
Total	27,729,602	11,731,692

Mwea Rice Mills Limited**Annual Report and Financial Statements for the year ended June 30, 2024****Notes to the Financial Statements (Continued)****10(a) Staff Costs**

Description	2023/2024	2022/2023
	Kshs	Kshs
Salaries and allowances of permanent employees	2,486,468	1,361,261
Employer's contributions to national social security schemes	421,782	27,600
Leave pay	36,857	27,211
Gratuity provisions	511,405	252,045
Staff welfare	-	199,840
Affordable Housing Levy Employer	178,992	-
Total	3,635,504	1,867,957
The average number of employees at the end of the year was:		
Permanent employees – management	3	4
Temporary and contracted employees	42	42
Total	45	46

Notes to the Financial Statements (Continued)

11. Operating Profit/ (Loss)

Description	2023/2024	2022/2023
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff Costs (Note 10a)	3,635,504	1,867,957
Depreciation of property, plant and equipment	9,652,342	9,732,441
Directors' emoluments – fees	546,000	414,400
Auditors' remuneration - current year fees	348,000	348,000
Rent receivable	(3,874,522)	(3,621,673)

12. Income Tax Expense/(Credit)

a) Income tax charge/ credit

Description	2023/2024	2022/2023
	Kshs	Kshs
Current taxation based on the adjusted Profit for the year at 30%	8,531,918	9,656,034
Total	8,531,918	9,656,034

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

Description	2023/2024	2022/2023
	Kshs	Kshs
Profit before taxation	28,439,728	32,186,779
Tax at the applicable tax rate of 30%	8,531,918	9,656,034
Total	36,971,646	41,842,813

13. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs.22,530,745 (22,530,745*50%): Kshs.11,265,371 by the average number of ordinary shares in issue during the year of 250,000 There were not dilutive or potentially dilutive ordinary share as at the reporting date.

14. Dividend per Share

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

Notes to the Financial Statements (Continued)

15. Property, Plant and Equipment

Description	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Workshop tool	Sewerage Disposal	Biological Assets	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost or valuation										
As At 1 st July 2022	34,000,000	231,475,492	121,124,558	2,871,999	3,038,152	1,787,425	223,961	2,080,313	9,400,000	406,001,900
Prior year Adjustment	-	-11,102,071	-	-	-	-	-	-	-	-11,102,071
Additions	-	-	-	-	114,000	-	-	-	-	114,000
As At 30th June 2023	34,000,000	220,373,421	121,124,558	2,871,999	3,152,152	1,787,425	223,961	2,080,313	9,400,000	395,013,829
Depreciation										
At July 1, 2022	-	18,679,052	117,519,091	2,202,380	2,840,776	1,764,769	210,464	-	-	143,216,532
Prior year Adjustment	-	-9,887,458	-	-	-	-	-	-	-	-9,887,458
Charge for the year	-	8,815,907	516,194	223,000	170,137	-	7,203	-	-	9,732,441
As At 30th June 2023	-	17,607,501	118,035,285	2,425,380	3,010,913	1,764,769	217,667	-	-	143,061,515
Net book value at June 30, 2023	34,000,000	202,765,920	3,089,273	446,619	141,239	22,656	6,294	2,080,313	9,400,000	251,952,314

Notes To The Financial Statements (Continued)

Property, Plant and Equipment (Continued)

Description	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Workshop tool	Sewerage Disposal	Biological Assets	Total
Cost or valuation										
As At 1 st July 2023	34,000,000	220,373,421	121,124,558	2,871,999	3,152,152	1,787,425	223,961	2,080,313	9,400,000	395,013,829
Prior year Adjustment										-
Additions			29,000			40,000				69,000
As At 30th June 2024	34,000,000	220,373,421	121,153,558	2,871,999	3,152,152	1,827,425	223,961	2,080,313	9,400,000	395,082,829
Depreciation										
At July 1, 2023	-	17,607,501	118,035,285	2,425,380	3,010,913	1,764,769	217,667	-	-	143,061,515
Prior year Adjustment	-									-
Charge for the year	-	8,815,905	516,847	223,000	90,248	48	6,294			9,652,342
As At 30th June 2024	-	26,423,406	118,552,132	2,648,380	3,101,161	1,764,817	223,961	-	-	152,713,857
Net book value At June 30, 2024	34,000,000	193,950,015	2,601,426	223,619	50,991	62,608	-	2,080,313	9,400,000	242,368,972

Notes To The Financial Statements (Continued)

Valuation

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

Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	34,000,000	-	34,000,000
Buildings	220,373,421	26,423,406	193,950,015
Plant And Machinery	121,153,558	118,552,132	2,601,426
Motor Vehicles, Including Motorcycles	2,871,999	2,648,380	223,619
Computers And Related Equipment	3,152,152	3,101,161	50,991
Office Equipment, Furniture, And Fittings	1,827,425	1,764,817	62,608
Workshop tool	223,961	223,961	-
Sewerage Disposal	2,080,313	-	2,080,313
Biological Assets	9,400,000	-	9,400,000
	395,082,829	152,713,857	242,368,972

Notes To The Financial Statements (Continued)

16. Investment Property

Description	2023/2024	2022/2023
	Kshs	Kshs
Opening Valuation	582661631	583,039,371
Prior year Adjustment		-377,740
Movements During The Year		
Revaluation		-
Closing Valuation	582,661,631	582,661,631
Depreciation (If At Cost)		
At July 1	22,000,030	11,621,659
Prior year Adjustment		(1,592,353)
Charge For The Year	9,974,049	11,970,723
At June 30	31,974,079	22,000,030
Net Book Value		
At June 30	550,687,552	560,661,601

17. a)Inventories

Description	2023/2024	2022/2023
	Kshs	Kshs
Raw materials	8,460,544	7,140,810
Finished goods	687,850	321,440
Subtotal	9,148,394	7,462,250

17 b) Consumables

Description	2023/2024	2022/2023
	Kshs	Kshs
Engineering stores	7,810,032	11,226,689
Stationery and general stores	117,076	-
Subtotal	7,927,108	11,226,689

Notes To The Financial Statements (Continued)

18. Trade and Other Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade Receivables (Note 19 (a))	15,119,415	14,303,350
Deposits and prepayments	80,920	80,920
Staff receivables (Note 19 (c))	1,685,700	1,663,300
Other Receivables	-	20,440,586
Gross Trade and Other Receivables	16,886,035	36,488,156
Provision for Bad And Doubtful Receivable	(10,504,592)	(18,712)
Write-off of bad debts	-	(20,440,586)
Net Trade and Other Receivables	6,381,444	16,028,858

18 (a) Trade Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross Trade Receivables	16,886,035	14,303,350
Provision for Doubtful Receivables	(10,504,592)	(18,712)
Net Trade Receivables	6,381,444	14,284,638
ageing analysis of gross Trade Receivables		
Less than 30 Days	22,400	3,738
Between 30 and 60 Days	1,663,008	1,019,460
Between 61 and 90 Days	-	-
Between 91 and 120 Days	-	-
Over 120 Days	15,200,627	13,280,152
Total	16,886,035	14,303,350

18 (c) Staff Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross staff loans and advances	1,685,700	1,663,300
Net staff loans	1,685,700	1,663,300
Amounts due after one year	1,685,700	1,663,300

Notes to the Financial Statements (Continued)

19. Tax Recoverable

Description	2023/2024	2022/2023
	Kshs	Kshs
At beginning of the year	1,952,021	1,952,021
At end of the year	1,952,021	1,952,021

Since the tax of Kshs.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 Kshs. 1,952,021

20. Bank and Cash Balances

Description	2023/2024	2022/2023
	Kshs	Kshs
Cash at bank	190,449,568	152,746,633
Cash in hand	1,000	-
Total	190,450,568	152,746,633

Detailed analysis of the cash and cash equivalents

Description		2023/2024	2022/2023
Financial institution	Account number	Kshs	Kshs
a) Current Account			
BARCLAYS BANK QUEENSWAY(NBI)	0945035838	12,249,450	82,537,716
KCB Wanguru	1103971387	96,453,670	10,208,917
Sub- Total		108,703,120	92,746,633
b) Fixed Deposits Account			
KCB Wanguru	1103971387	-	60,000,000
Equity Mayfair Supreme Centre	1510385359940	81,746,448.00	-
Sub- Total		81,746,448.09	60,000,000
Grand Total		190,449,568	152,746,633

Notes To The Financial Statements (Continued)

21. Ordinary Share Capital

Description	2023/2024	2022/2023
	Kshs	Kshs
Authorized:		
250,000 Ordinary Shares of Kshs20/= par value each	5,000,000.00	5,000,000.00
Issued and Fully paid:		
250,000 Ordinary Shares of Kshs20/= par value each	5,000,000.00	5,000,000.00

22. 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.

	2023/2024	2022/2023
	KSHS	KSHS
Revaluation reserve brought forward	821,918,151	833,888,874
Revaluation of Maisonettes	-	-
Revaluation of Leader House	-	-
Revaluation of Land (Outlet shop)	-	-
Revaluation of Land (Maisonettes)	-	-
Revaluation of Buildings	-	-
Revaluation of MRM Outlet	-	-
Revaluation of Pickup KBPL 881 W	-	-
Amortization of Investment property	(9,974,049)	(11,970,723)
Net book Value	811,944,102	821,918,151

23. General Reserve

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

24. Retained Earnings

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

	2023/2024	2022/2023
	KSHS	KSHS
Balance b/f	17,560,868	1,986,117.00
Reinstatement *	22,390,775	-1,350,000.00
Profit/(loss) for the year	19,907,810	22,530,745.00
Dividends payable	(11,265,371)	(5,605,993)
Balance c/f	48,594,082	17,560,868

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

25. Capital fund for mill rehabilitation

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

Notes to the Financial Statements (Continued)

26. Government levy

Description	2023/2024	2022/2023
	KSHS	KSHS
Government levy **	22,037,370	22,037,370
	22,037,370	22,037,370

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

27. Trade and Other Payables

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade payables	3,497,949	2,828,275
Accrued expenses	1,392,000	21,622,525
Employee payables	2,490	807,054
Other payables	35,340,241	43,339,597
Total	40,232,681	68,597,451

Aging Analysis for Trade and other Payables

	2023/2024	% of the total	2022/2023	% of the total
Under one year	35,629,599	88.56%	64,764,037	94.83%
1-2 years	975,420	2.42%	173,356	0.23%
2-3 years	1,800,000	4.47%	1,876,000	2.53%
Over 3 years	1,827,662	4.54%	1,784,058	2.40%
Total	40,232,681	100%	68,597,451	100%

Notes to the Financial Statements (Continued)

28. Dividends Payable

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

Description	<i>2023/2024</i>	<i>2022/2023</i>
	Kshs	Kshs
Additional declared during the year	11,265,371	5,605,992.00
Balance at end of the year	11,265,371	5,605,992.00
Ageing analysis:		
Under one year	11,265,371	5,605,992.00
Total	11,265,371	5,605,992.00

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

Notes to the Financial Statements (Continued)

29. Notes to the Statement of Cash Flows

Description	2023/2024	2022/2023
	Kshs	Kshs
(a) Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations		
Profit or Loss before tax	28,439,728	32,186,779
Depreciation	9,652,342	9,732,441
Retained Earnings Adjustments	22,390,775	(1,350,000)
Operating Profit/(Loss) before Working Capital changes	60,482,845	40,569,220
(Increase)/Decrease in Inventories	1,613,437	1,420,078
(Increase)/Decrease in Trade and Other Receivables	9,647,414	(427,488)
Increase/(Decrease) in Trade and Other Payables	(33,970,763)	9,077,964
Cash Generated from/(used In) operations	37,772,934	50,639,774
(b) Analysis of Cash and Cash equivalents		
Cash At Bank	190,450,568	152,746,633
Balance At End Of The Year	190,450,568	152,746,633

30. Related Party Disclosures

Government of Kenya

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

Other related parties include:

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

Notes To The Financial Statements (Continued)

31. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

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

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

Notes to the Financial Statements (Continued)

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables from exchange transactions	14,303,350	14,284,638	(10,504,592)	-
Bank balances	152,746,633	152,746,633	-	-
Total	167,049,983	167,031,271	(10,504,592)	-
At 30 June 2023				
Receivables from exchange transactions	18,833,289	8,328,697	(10,504,592)	-
Bank balances	190,450,568	190,455,095		
Total	209,283,857	198,783,793	(10,504,592)	

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity did not have significant concentration of credit risk during the year under review.

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

Notes to the Financial Statements (Continued)

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables			3,485,677	3,485,677
Provisions	11,613,371			
Total			3,485,677	3,485,677
At 30 June 2024				
Trade payables	788,377	1,260,000	1,415,849	3,464,227
Provisions	19,036,510	-	-	19,036,510
Employee benefit obligation	2,490			2,490
Total	19,827,377	1,260,000	1,415,849	22,503,227

Notes To The Financial Statements (Continued)

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

a) Interest rate risk

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

i) Management of interest rate risk

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

Notes To The Financial Statements (Continued)

ii) Sensitivity analysis

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

No analysis was performed during the year under review.

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii)** Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

Notes To The Financial Statements (Continued)

iv) Capital Risk Management

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

Description	2023/2024	2022/2023
	Kshs	Kshs
Revaluation reserve	811,944,102	821,918,152
Retained earnings	48,594,082	17,560,868
Ordinary Share Capital	5,000,000	5,000,000
General Reserve	8,700,000	8,700,000
Total Funds	874,238,184	853,179,020
Total Liabilities	82,067,340	96,240,814
Less: Cash and Bank balances	(190,450,568)	(152,746,633)
Net Debt/(Excess Cash and Cash Equivalents)	-	(1)
Gearing		

32. Incorporation

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

33. Events after the Reporting Period

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

22. Appendices

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

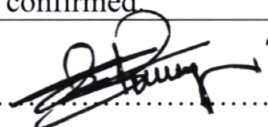
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1	<p>Unresolved Prior Year Audit Matters In the audit report of the previous year, several issues were raised under the report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Audit Act, 2015 and Public Sector Accounting Standards Board reporting templates.</p>	<p>The Management has been able to resolve most of the previous years' audit issues</p>	Resolved	
2	<p>Non-Execution and Non-Registration of Lease Agreements Review of the lease agreements for land located at the junction of Lenana and Woodlands roads in the Kilimani area of Nairobi County revealed that the lease agreements had not been registered. This is contrary to Section 54(5) of the Land Registration Act, 2012 which provides that the Lands Registrar shall register long-term leases and issue certificates of lease over apartments, flats, maisonettes,</p>	<p>i. Non-Execution and Non-registration of Lease Agreements was experienced due to changes at the Ministry of Lands. For lease to be registered, they require valid and certified title deed. In regard to Leader House, the Ministry of Lands is in the process of converting the title deeds and has since Gazetted the same. Once the conversion process is</p>	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>townhouses, or offices having the effect of conferring ownership if the property is properly geo-referenced and approved by the statutory body responsible for the survey of the land. In the circumstances, Management was in breach of the law.</p>	<p>complete, the Management will be able to register the agreement. However, the tenant continues to honour his obligation of paying rent as per the agreement.</p> <p>ii. In the case of the Maissonate property, the title deed had been misplaced hence, the challenge of registering the agreement. However, the Management has secured a certified copy of the title deed. Thus, is in the process of registering the lease agreements. However, the tenant, MFI has continued to pay rent as per the agreement.</p>		
3	<p>Long Outstanding Trade and Other Receivables The statement of financial position reflects the trade and other receivables of Kshs. 16,028,858 as disclosed in Note 19 to the financial statements. This balance is net of provision for doubtful debts on trade receivables of Kshs. 18,712. However, ageing analysis revealed that trade debtors totalling Kshs. 10,783,065 have been outstanding for over three (3) years and have not been active for that period. Though these debtors were assessed as doubtful and</p>	<p>The management has not provided for these debts as the accounts are active. However, a board paper will be presented to the board in this current financial year to seek approval for provision.</p>	Resolved	

Mwea Rice Mills Limited
Annual Report and Financial Statements for the year ended 30th June 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>provided for in the financial statements, adequate control measures and safeguards to recover the debts were not provided for audit.</p> <p>In the circumstances, adequate control measures and recoverability of the long outstanding trade and other receivables balance of Kshs. 16,028,858 could not be confirmed.</p>			



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

Managing Director

Date: 23/12/2024