

REPUBLIC OF KENYA



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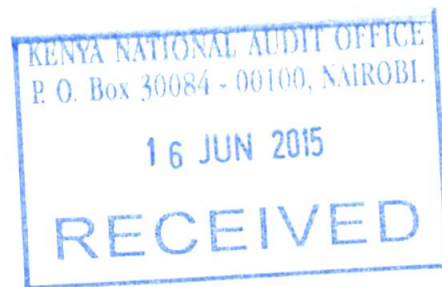
**REPORT**  
**OF**  
**THE AUDITOR-GENERAL**  
**ON**  
**THE FINANCIAL STATEMENTS OF**  
**WESTERN KENYA RICE MILLS LTD**

**FOR THE YEAR ENDED**  
**30 JUNE 2014**





**WESTERN KENYA RICE MILLS LTD**



**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**30<sup>TH</sup> JUNE 2014**

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## COMPANY PROFILE

Western Kenya Rice Mills (WCRM) Ltd was incorporated in 1993 and is jointly owned by National Irrigation Board (60% shareholding and Western Kenya Schemes Rice Farmers at 40% of shareholding)

However, because the farmers have never completed their payment, the current state is that NIB holds 76.5%, Ahero Scheme farmers 11.7%, West Kano Scheme farmers 5.7% and Bunyala Scheme farmers 6.1%

Its core business is processing and marketing of milled white rice mainly from Western Kenya Schemes. However due to changes in the business environment, it may as well deal with marketing of paddy on commission basis.

The mill has an installed milling capacity of 3.5 metric tons per hour, but which is not maximized due to inadequate market outlets.

The mill markets its products as Aromatic Pishori and Non-Aromatic Ahero Rice. The by-products are mainly: Broken rice, Chicken feed and Rice bran

WCRM also undertakes commercial milling on behalf of clients. Our major client is National Cereals and Produce Board (NCPD). Our target customers are Vendors, Schools, Universities, Hospitals and Institutions like KNTC, wholesalers and individual buyers.

## DIRECTORS' PROFILE

### DR SAMMY LETEMA-CHAIRMAN



Dr. Sammy C. Letema joined company as the chairman of the Company on 10<sup>th</sup> January, 2014.

He is a holder of PhD from Wageningen University of the Netherlands. Masters of Environmental Planning and Management, Kenyatta University, Certificate in Public Private Partnerships for Urban Environmental Services. UNDP/Yale University and Bachelor degree in Environmental Studies (Planning & Management), Kenyatta University. Dr. Sammy Letema is a member of Kenya institute of Planners(KIP), Corporate member (MKIP) and National Environmental Management Authority(NEMA): Lead Expert, Environmental Impact Assessment and Audit. He is also the chairman to the Departmental Board of Postgraduate Committee, Kenyatta University and

Coordinator to the Departmental Website Manager, Kenyatta University. He has also been involved in the preparation of Iten town Integrated Spatial Development Plan, preparation of Mandera Town Integrated Urban Development Plan, Review of Informal Settlements Basic Urban Infrastructure Services Standards and Regulations, Development of Civil Society (CSOs) Urban Dialogue Papers, EIA for Likii Sewerage Extension Nanyuki Municipality, Member of National Technical Team for preparation of integrated Solid Waste Management Strategy for Nairobi City, Preparation of Kisumu Waste Management Strategy among others.

## **ENG. DANIEL K BARASA 'HSC' 54 MANAGING DIRECTOR**



Eng. Daniel K Barasa 'HSC' was appointed the Managing Director of the Company on 17<sup>th</sup> July 2008. He holds the position by the virtue of being the General Manager of National Irrigation Board, a major shareholder in the company. He is also Managing Director of Mwea Rice Mills Limited, a subsidiary of NIB.

Eng. Barasa is a well-accomplished Engineer having gathered about 30years experience in Planning, Design, Administration, Management, Operation and Maintenance, Policy and Strategy formulation in the Water Sector including General Management of Programmes and Human Resources in the country. Prior to his appointment, Eng. Barasa was Project Director in Ministry of Water & Irrigation where he presided over Water Sector Reforms. He was also the Acting CEO Water Services Regulatory Board, held various positions in the Water Sector, which offered him exposure to numerous Government of Kenya and Donor Funded assignments.

He is a holder of B.S.C CiVIL Engineering as well as M.S.C Civil Engineering from University of Nairobi. Due to his diverse experience in the Water sector, he brings in a wealth of experience to the company. He is a Registered Engineer with Engineers' Registration Board as well as a Corporate Member of the Institute of Engineers of Kenya. His experience is critical in the policy formulation, implementation and supervisory function of the Mills.

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



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

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

Agriculture.

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

## **DISMAS M.OUNDO 54 NON EXECUTIVE-DIRECTOR**



Mr. Dismas M. Oundo joined the Company's Board in 2008. He is a Non-executive Director representing Magombe Multi-Purpose Co-operative Society Ltd, an umbrella Society of farmers in Bunyala Irrigation Scheme and a shareholder of the company. He joined the membership of the Society in 1979. Mr. Oundo is a Procurement Officer at the Kenya Institute of Curriculum Development.

His previous assignments include Store man Grade I at the Kenya National Assembly. Mr. Oundo is trained in the field of Procurement. He is in the final stage of a Professional Course in Supplies Management. Mr. Oundo brings vast knowledge, experience and leadership gained from Bunyala Irrigation Scheme rice growing area.

## **MOS OWITI OWITI, 45, NON EXECUTIVE DIRECTOR**



Mr. Amos Owiti Owiti is a Non-Executive Director representing West KANO Farmers' Co-operative Society Ltd which he joined as a member in 1995.

He previously worked with the Teachers Service Commission from 1996 to 2000.

He is a holder of a B.S.C Degree in Agricultural Engineering (Honours) from Jomo Kenyatta University of Agriculture and Technology as well as a Post Graduate Diploma in Education from Egerton University. He is currently pursuing a Master Degree Programme at Maseno University in Planning and Economics of Education.

Mr. Owiti brings vast knowledge, experience and leadership gained from the Kano Plains region. His current occupation is commercial rice farming.

**JOE PETER ONYANGO, 67, NON EXECUTIVE-DIRECTOR**



Mr. Joe Peter Onyango joined the Company's Board in 2012. He is a Non-Executive Director representing Ahero Multi-Purpose Co-operative Society Ltd which he joined as a member in 1994.

He is a retired Career Banker having served Barclays Bank of Kenya Ltd for 29 years in various capacities including Branch Manager in various towns, Operations Manager, Advances (Risk) Manager and Branch Accountant. He is also a Tutor in the profession.

Mr. Onyango brings vast knowledge, experience and leadership gained from irrigated & rain fed rice farming horticulture, poultry, pig, bee keeping and fish farming in the region.

*Mr. R.K. Gaita – Alternate to Permanent Secretary, Ministry of Water & Irrigation, Non-Executive Director*

*Mr. Paul Kiagu – Alternate to Permanent Secretary, Ministry of Finance, Non-Executive Director*

## **FIDUCIARY OVERSIGHT ARRANGEMENTS**

### ***BOARD OF DIRECTORS:***

**Dr Sammy Letema-Chairman  
Eng. Daniel K. Barasa  
PS Ministry of Water & Irrigation  
PS Ministry of Finance  
Mr. Amos Owiti Owiti  
Mr. Dismas Oundo Makhulu  
Mr. Joe Peter Onyango,**

### ***REGISTERED OFFICE***

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

### ***FACTORY:***

**P.O BOX 1010 KISUMU**

### ***AUDITORS:***

**Auditor General-Kenya  
National Audit Office (KENAO)  
P.O BOX 30084-00100  
NAIROBI**

### ***LAWYERS:***

**Lillian G Kimani  
Agip House  
P.O BOX 73076-00200  
NAIROBI**

### ***BANKERS:***

**Kenya Commercial Bank Ltd  
Kencom House  
P.O BOX 30081  
NAIROBI**

## SECRETARIAT MANAGEMENT

The Secretariat team comprises of the Director General, Directors, and assistant Directors as follows:

M Eng. Daniel K. Barasa, - General Manager



Eng. Daniel K. Barasa, HSC was appointed the Managing Director of the company on 17<sup>th</sup> July, 2008. Currently he is the General Manager National Irrigation Board (a major shareholder of MRM Limited).

He is a holder of B.SC. Civil Engineering as well as M.Sc. Civil Engineering form University of Nairobi.

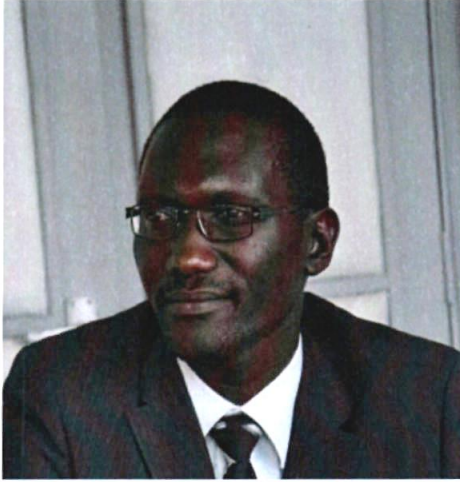
Eng. Barasa is a well-accomplished Engineer having gathered about 30 years' experience in Planning Design Administration, Management Operation and Maintenance, Policy and Strategies formulation on the Water Sector including General Management of

Programs and Human Resources in the country.

Prior to his appointment as CEO-MRM Limited, Eng. Barasa was Project Director where he presided over water sector reforms. He was also the acting CEO Water Services Regulatory Board. He held various senior positions in the Water Sector which offered him exposure to numerous Government of Kenya and Donor Funded assignments.

Due to his wide diverse experience in the Water sector, he brings in a wealth of experience to company. He is a Registered Engineer with Engineers' Registration Board as well as a Corporate Member of the Institute of Engineers of Kenya. He is CEO of the company by the virtue of his position as the CEO of NIB. His experience is critical in the policy formulation, implementation and supervisory function of the Mills.

***Dennis Banda Aroka*** MBA, FCPS (K) - **Company Secretary**



Dennis Banda Aroka is the Company Secretary of National Irrigation Board. Prior to joining the Board in 2013, he had practiced as a consultant Company Secretary and held other similar positions for 20 years. He holds an Executive MBA from Moi University. He is also a fellow member of the Institute of Certified Public Secretaries of Kenya and a council member of the same institute. Currently he is pursuing LLB course at Catholic University of East Africa.

## **CORPORATE GOVERNANCE STATEMENT**

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

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

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

## STATEMENT OF DIRECTOR'S RESPONSIBILITY

The Companies Act requires the directors to prepare financial statement for each financial year, which gives a true and fair view of the state of affairs of the board as at the end of the financial year and of its operation results for that year. It also requires the directors to ensure the company keeps proper accounting records, which disclose with reasonable accuracy the financial position of the company. They are also responsible for safeguarding the assets of the board.

The directors accept responsibilities for the annual financial statement, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with international financial reporting standards and the requirement of the companies Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a growing concern for at least the next twelve months from the date of this statement.

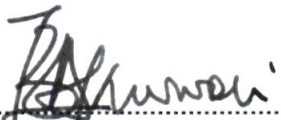
The Financial Statements have been signed on its behalf by:



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DR. SAMMY LETEMA  
CHAIRMAN

DATE

16/06/2015



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ENG. D/K. BARASA  
MANAGING DIRECTOR

DATE

16/06/2015


## THE FINANCIAL STATEMENTS

### ***REPORT OF THE DIRECTORS***

The directors submit this report together with the financial statements for the year ended 30<sup>th</sup> June 2014.

### **AUDITORS**

Kenya National Audit Office audits the accounts of WKRM Ltd.

  
*General Manger*  
Date; 16/06/2015

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON WESTERN KENYA RICE MILLS LTD FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Western Kenya Rice Mills Ltd set out on pages 1 to 12 which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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 14 of the Public Audit Act, 2003. 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.

#### **Management's Responsibility for the Financial Statements**

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards of Auditing (ISA). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Property, Plant and Equipment**

As previously reported, property plant and equipment balance of Kshs.6,754,971 excludes undetermined value of a parcel of land without a title deed on which the company's buildings are located at Ahero in Kisumu County. It was not possible therefore to confirm ownership of the land and whether carrying values as stated in the financial statements reflects the fair values of property, plant and equipment as at 30 June 2014.

#### **2. Current Liabilities**

As previously reported, the current liabilities balance of Kshs.42,268,590 includes unpaid taxes totalling to Kshs.9,715,299 dating back to 1996, 1998 and 1999. However, the penalties and interest in respect to the unpaid taxes have not been incorporated in the financial statements as at 30 June 2014. This omission has occasioned the understatement of retained earnings/reserves over the years and liabilities as at 30 June 2014.

In view of the above, it is not possible to confirm whether the current liabilities balance of Kshs.42,268,590 as at 30 June 2014, is fairly stated.

#### **3. Share Capital**

As previously reported, the financial statements reflect a share capital of Kshs.35,049,935, whereas the records available at the Registrar of Companies reflect a shareholding of Kshs.32,428,860 resulting to unexplained variance of Kshs.2,621,075. Although the management has explained that the difference is as a result of acquisition of shares by the farmers which has not been reflected in the registrar's records due to lack of Board members, no evidence has been produced for verification. In the absence of the share certificates supporting the difference of Kshs.2,621,075, it has not been possible to confirm that the share capital figure of Kshs.35,049,935 as at 30 June 2014 is fairly stated.


### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June, 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, Cap 486 of the Laws of Kenya.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 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; and,
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position is in agreement with the books of account.





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

**Nairobi**

**30 June 2015**

# WESTERN KENYA RICE MILLS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

ASSETS	NOTE	2014 KSHS	2013 KSHS
<b><u>NON - CURRENT ASSETS</u></b>			
<b><u>PROPERTY, PLANT &amp; EQUIPMENT</u></b>	2	6,754,971	7,450,211
<b><u>CURRENT ASSETS</u></b>			
Inventories	3	32,129,328	33,363,889
Trade & Other Receivables	4	9,037,809	6,178,640
Cash & Cash Equivalents	5	1,910,581	5,241,803
		<b>43,077,717</b>	<b>44,784,332</b>
<b>TOTAL ASSETS</b>		<b>49,832,688</b>	<b>52,234,543</b>
<b><u>EQUITY &amp; LIABILITIES</u></b>			
Share Capital	8	35,049,935	35,049,935
Revaluation Reserve	9	60,000	90,000
Retained earnings(Loss)	10	(27,545,838)	(27,669,069)
		<b>7,564,097</b>	<b>7,470,866</b>
<b><u>CURRENT LIABILITIES</u></b>			
Trade & Other Payables	11	541,488	264,000
Taxation	12	9,768,112	9,715,299
NIB Current A/C	6	31,958,990	34,784,378
		<b>42,268,590</b>	<b>44,763,677</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>49,832,688</b>	<b>52,234,543</b>
 <b>ENG. D. K. BARASA</b> <b>MANAGING DIRECTOR</b> DATE <u>16/06/2015</u>		 <b>DR. SAMMY LETEMA</b> <b>CHAIRMAN</b> DATE <u>16/06/15</u>	

# WESTERN KENYA RICE MILLS LTD

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 KSHS	2013 KSHS
Turnover	13	24,092,754	6,209,025
Cost of sales	14	(17,336,847)	(10,222,753)
Gross profit/(Loss)		<b>6,755,907</b>	<b>(4,013,728)</b>
Other Income	15	3,155,023	84,081
Administrative expenses	16	(5,802,708)	(3,784,157)
Board members expenses	17	(12,000)	(313,356)
Other expenses	18	(3,847,892)	(8,293,490)
Finance costs	19	(72,286)	(22,490)
<b>Profit (loss) before Taxation</b>		<b><u>176,045</u></b>	<b><u>(16,343,140)</u></b>
Tax provision (30%)		(52,813)	-
Profit (Loss) for the year		<b>123,231</b>	<b>(16,343,140)</b>

# WESTERN KENYA RICE MILLS LTD

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2014

	2014 KSHS	2013 KSHS
Surplus(Deficit)	176,045	(16,343,140)
<b>Adjustment for non cash items</b>		
Depreciation	665,241	806,480
<b>Operating Profit before working Capital changes</b>	841,286	(15,536,660)
<b><u>Working Capital changes</u></b>		
(Increase)Decrease in Inventories	1,234,561	(901,632)
Increase(Decrease) in Receivables	(2,859,169)	344,870
(Increase)Decrease in Payables	277,488	32,000
Increase(Decrease) in NIB Current account	(2,825,388)	19,163,817
Increase(Decrease) in MRM Current account	-	74,000
<b>Net cash generated from operating activities</b>	(3,331,222)	3,176,396
<b><u>Investing Activities</u></b>		
<b>Purchase of Assets</b>	-	-
<b>Net cash generated from Investing activities</b>	-	-
<b><u>Financing Activities</u></b>		
<b>Net cash generated from financing activities</b>	-	-
Net increase/(decrease) in Cash & Equivalent for the year	(3,331,222)	
Cash & cash equivalents at beginning of the year	5,241,803	2,065,407
<b>Cash &amp; cash equivalent at end of the year</b>	<b>1,910,581</b>	<b>5,241,803</b>

**WESTERN KENYA RICE MILLS LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	Share Capital	Revaluation Reserve	Reserves	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2012	<b>35,049,935</b>	-	<b>(11,325,929)</b>	<b>23,724,006</b>
At 1 July 2012	35,049,935	-	(11,325,929)	<b>23,724,006</b>
Revaluation		120,000.00		<b>120,000</b>
Amortisation		(30,000)	-	<b>(30,000)</b>
Loss for the year		-	(16,343,140)	<b>(16,343,140)</b>
Proposed div. written back		-	-	-
At 30 June 2013	<b>35,049,935</b>	<b>90,000.00</b>	<b>(27,669,069)</b>	<b>7,470,866</b>
At 1 July 2013	35,049,935	90,000.00	(27,669,069)	<b>7,470,866</b>
Revaluation		-	-	-
Amortisation		(30,000)	-	<b>(30,000)</b>
Profit/Loss for the year		-	123,231	<b>123,231</b>
At 30 June 2014	<b>35,049,935</b>	<b>60,000.00</b>	<b>(27,545,838)</b>	<b>7,564,097</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2014

### 1. ACCOUNTING POLICIES

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

#### (a) Basis of Preparation

The financial statements are prepared in accordance with International Financial Reporting Standards

#### (b) Property, Plant and Equipment

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

There is no depreciation charged on the sewerage disposal system. Depreciation on other assets is calculated using the rates shown here below at reducing balance unless otherwise stated.

Buildings	2.5%	
Plant & Machinery	12.5%	
Workshop Equipment	12.5%	
Office Machinery	12.5%	
Motor Vehicles	25.0%	(Straight Line)

#### (c) Inventories

Inventories have been valued at lower of cost and estimated net realisable value. Cost comprises of direct materials and where applicable, direct labour cost and those overheads incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less estimated cost of disposal.

#### (d) Cash and cash equivalents

For the purpose of the cashflow statement, cash and cash equivalents include bank balances and short term liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value.

WESTERN KENYA RICE MILLS LTD

WESTERN KENYA RICE MILLS LIMITED

NOTE 2 : PROPERTY ,PLANT & EQUIPMENT AS AT 30 JUNE 2014

	OFFICE MACHINERY	BUILDINGS	PLANT & MACHINERY	MOTOR VEHICLES	TOOLS & EQUIPMENT	WORKSHOP & MACHINERY	TOTAL
	KSH	KSH	KSH	KSH	KSH	KSH	KSH
<b><u>COST:</u></b>							
AS AT 01.07.2012	447,988	6,836,487	29,994,849	3,079,080	1,230,018	678,735	42,267,157
ADDITIONS							
Revaluation adjustment				90,000			90,000
<b>AS AT 01.06.2012</b>	<b>447,988</b>	<b>6,836,487</b>	<b>29,994,849</b>	<b>3,169,080</b>	<b>1,230,018</b>	<b>678,735</b>	<b>42,357,157</b>
<b><u>DEPRECIATION:</u></b>							
AS AT 01.07.2012	360,502	2,773,105	27,689,153	1,565,837	1,136,203	575,665	34,100,465
CHARGE FOR THE YEAR	10,936	101,584	288,214	378,310	12,884	14,552	806,480
<b>AS AT 30.06.2012</b>	<b>371,438</b>	<b>2,874,689</b>	<b>27,977,367</b>	<b>1,944,147</b>	<b>1,149,087</b>	<b>590,217</b>	<b>34,906,945</b>
<b>N.B.V. AS AT 30.06.2013</b>	<b>76,550</b>	<b>3,961,798</b>	<b>2,017,482</b>	<b>1,224,933</b>	<b>80,931</b>	<b>88,518</b>	<b>7,450,212</b>
<b><u>COST:</u></b>							
AS AT 01.07.2013	447,988	6,836,487	29,994,849	3,169,080	1,230,018	678,735	42,357,157
Revaluation adjustment				60,000			60,000
<b>AS AT 30 - 06 - 2013</b>	<b>447,988</b>	<b>6,836,487</b>	<b>29,994,849</b>	<b>3,229,080</b>	<b>1,230,018</b>	<b>678,735</b>	<b>42,417,157</b>
<b><u>DEPRECIATION:</u></b>							
AS AT 1st July 2013	371,438	2,874,689	27,977,367	1,944,147	1,149,087	590,217	34,906,945
CHARGE FOR THE YEAR	10,109	99,048	252,183	283,734	9,104	11,063	665,241
Revaluation adjustment				30,000			30,000
DEPRECIATION ADJUSTMENT:	(617.17)	(2.65)	3.34	(1.09)	1,960.81	(802.20)	541.04
<b>AS AT 30.06.2014</b>	<b>382,164</b>	<b>2,973,740</b>	<b>28,229,547</b>	<b>2,227,882</b>	<b>1,156,230</b>	<b>602,082</b>	<b>35,571,645</b>
<b><u>NET BOOK VALUE:</u></b>							
<b>AS AT 30th June 2014</b>	<b>66,441</b>	<b>3,862,750</b>	<b>1,765,299</b>	<b>911,199</b>	<b>71,827</b>	<b>77,455</b>	<b>6,754,971</b>
<b>AS AT 30th June 2013</b>	<b>76,550</b>	<b>3,961,798</b>	<b>2,017,482</b>	<b>1,224,933</b>	<b>80,931</b>	<b>88,518</b>	<b>7,450,212</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2014 (CONTINUED)**

3 INVENTORIES	2014	2013
	KSHS	KSHS
Factory Spares	1,488,555	1,514,367
General store	251,895	225,308
Paddy stocks	28,026,040	29,857,340
Packing Materials	1,120,818	713,855
Milled Rice	1,132,620	1,030,120
By products stores	109,400	22,900
	<u>32,129,328</u>	<u>33,363,889</u>

The stock difference of Kshs. 6,996,066.00 reported as at 30/6/2013 was reconciled in December 2013 as per the attached recociliation report and invoices which had not been journalized as at 30th/6/2013.

4 TRADE & OTHER RECEIVABLES	2014	2013
	KSHS	KSHS
Farmers total account	2,157,300	2,157,300
Issues to farmers	630	630
Staff Salary Advance	10,321	6,721
Trade & Other Receivables	8,849,767	752,876
Robert Sang	14,671	14,671
Mwea irrigation scheme	-	3,084,023
Stock difference	180,671	180,671
TOTAL	<u>11,213,360</u>	<u>6,196,892</u>
Less: provision for bad bebts	<u>(2,175,551)</u>	<u>(18,251)</u>
	<u>9,037,809</u>	<u>6,178,641</u>

5 CASH AND CASH EQUIVALENTS	2014	2013
	KSHS	KSHS
KCB Nairobi	123,184	1,846,231
KCB Kisumu	1,585,552	2,868,924
Cash in Hand	201,845	526,648
	<u>1,910,581</u>	<u>5,241,803</u>

6 NIB CURRENT ACCOUNT	2014	2013
	KSHS	KSHS
	<u>(31,958,990)</u>	<u>(34,784,378)</u>
	<u>(31,958,990)</u>	<u>(34,784,378)</u>

These are transactions between Western Kenya Rice Mills Ltd.and National Irrigation Board

7 MRM CURRENT ACCOUNT	2014	2013
	KSHS	KSHS
Opening Balance	-	74,000
Less adjustment / payments	-	(74,000)
	<u>-</u>	<u>-</u>

These are transactions between Western Kenya Rice Mills Ltd.and Mwea Rice Mills Ltd.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2014 (CONTINUED)**

<b>8 SHARE CAPITAL</b>	<b>2014 KSHS</b>	<b>2013 KSHS</b>
Authorised share capital 420000 shares at 100/- per value The shares have been paid up as follows:		
National Irrigation Board	25,200,000	25,200,000
Ahero Multi-Purpose Co-op. Society Ltd	4,910,072	4,910,072
West Kano Farmers Co-op. Society Ltd	2,392,984	2,392,984
Magombe Multi-Purpose Co-op. Society Ltd	2,546,879	2,546,879
	<u><b>35,049,935</b></u>	<u><b>35,049,935</b></u>
<b>9 REVALUATION RESERVE</b>	<b>2014 KSHS</b>	<b>2013 KSHS</b>
Balance b/f	90,000	120,000
Less: Depreciation for the year	30,000	30,000
Balance c/f	<u><b>60,000</b></u>	<u><b>90,000</b></u>
<b>10 RETAINED EARNINGS /(LOSS)</b>	<b>2014 KSHS</b>	<b>2013 KSHS</b>
Balance b/f	(27,669,069)	(11,325,929)
Excess/(Deficit) for the year	123,231	(16,343,140)
Balance c/f	<u><b>(27,545,838)</b></u>	<u><b>(27,669,069)</b></u>
<b>11 TRADE &amp; OTHER PAYABLES</b>	<b>2014 KSHS</b>	<b>2013 KSHS</b>
Ahero Irrigation Scheme	-	32,000
Audit Fee Provision	541,488	232,000
	<u><b>541,488</b></u>	<u><b>264,000</b></u>

This account is used to record expenses not paid by the close of the financial year like deductions on salaries not remitted to the third party and directors fees not paid to the National Irrigation Board. The amount has now been written back to the accounts.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2014 (CONTINUED)**

<b>12 TAXATION</b>	<b>2014 KSHS</b>	<b>2013 KSHS</b>
Unpaid balance brought forward	9,715,299	9,715,299
Tax Provision	52,813	-
BALANCE C/F	<b>9,768,112</b>	<b>9,715,299</b>

Taxation of kshs 9,715,299. relates to a provision for tax on profits made in earlier years (1996, 1998 and 1999) and had not been paid. The provision is based on 30% corporation tax rate. The figure shown above is cumulative.

<b>13 <u>TURNOVER</u></b>	<b>2014 KSHS</b>	<b>2013 KSHS</b>
Basmati rice sales	3,147,340	1,771,395
Sindano rice sales	19,496,754	3,521,340
Bran meal sales	511,200	170,800
Broken rice sales	812,510	647,000
Course bran sales	1,200	2,700
Chicken feed sales	123,750	88,750
Sindano paddy sales	-	7,040
	<b>24,092,754</b>	<b>6,209,025</b>

<b>14 COST OF PRODUCTION</b>	<b>2014 KSHS</b>	<b>2013 KSHS</b>
Sindano paddy to mills	11,259,040	4,463,600
Basmati Paddy to mills	2,475,000	1,697,025
Salaries & Wages - Casuals	1,958,208	973,709
Electricity	486,359	248,760
Plant & Machinery(Factory) Mtce	543,405	2,045,586
Building mtce-mills building	36,251	
Depreciation - Buildings	99,048	101,584
Depreciation - Tools& w/shop	20,167	-
Uniforms & Protective Clothing	50,250	-
Depreciation - Plant & Equipment	252,183	315,650
Packing Materials	156,937	376,840
<b>TOTAL</b>	<b>17,336,847</b>	<b>10,222,753</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2014 (CONTINUED)**

<b>5 OTHER INCOME</b>	<b>2014</b>	<b>2013</b>
	<b>KSHS</b>	<b>KSHS</b>
Milling income	3,115,023	44,581
Miscellaneous income	40,000	39,500
	<u><b>3,155,023</b></u>	<u><b>84,081</b></u>
<b>6 ADMINISTRATION</b>	<b>2014</b>	<b>2013</b>
	<b>KSHS</b>	<b>KSHS</b>
Salaries and Wages -Regular	2,308,591	1,505,539
Travelling and entertainment	1,205,751	1,039,490
Legal & professional fee	119,234	28,660
Printing and Stationery	220,461	37,909
NIB Administration & Accountancy fee	817,434	188,793
Office Machinery & Furn. Depreciation	10,109	10,936
Buildings Mtce.- Offices	158,378	406,039
Leave & Transfer Allowance	28,105	26,393
Motor Vehicles Maintenance	601,322	120,568
Motor Vehicles depr.	283,734	378,310
Telephone	49,589	34,000
NHIF	-	3,120
NSSF	-	4,400
<b>TOTAL</b>	<u><b>5,802,708</b></u>	<u><b>3,784,157</b></u>
<b>7 Board Members Expenses</b>	<b>2014</b>	<b>2013</b>
	<b>KSHS</b>	<b>KSHS</b>
Sitting allowance	12,000	90,000
Mileage allowance	-	-
Accommodation allowance	-	42,000
Travel expenses	-	10,800
Lunch allowance	-	170,556
	<u><b>12,000</b></u>	<u><b>313,356</b></u>

## WESTERN KENYA RICE MILLS LTD

	<b>2014</b>	<b>2013</b>
	<b>KSHS</b>	<b>KSHS</b>
<b>18 OTHER EXPENSES</b>		
Advertising	466,136	-
Marketing expenses	-	100,923
Audit fees	309,488	264,000
Office Tea	143,541	49,770
Subscriptions & periodicals	38,070	22,250
Consumables	29,240	17,772
General expenses	-	40,200
Medical expenses (In-patient)	24,364	162,903
Medical expenses (out-patient)	1,000	
Petrol	-	4,328
Diesel	571,103	275,239
Oils & Grease	1,000	186,265
Bad debts prov.	2,157,300	-
Training expenses	85,250	-
Stock loss	-	6,996,066
Transport hire	20,500	3,180
Security services	-	-
Postages	900	4,190
Show expenses	-	67,600
Fumigation	-	98,804
<b>TOTAL</b>	<b><u>3,847,892</u></b>	<b><u>8,293,490</u></b>

	<b>2014</b>	<b>2013</b>
	<b>KSHS</b>	<b>KSHS</b>
<b>19 FINANCE COST</b>		
Bank Charges	72,286	22,490
<b>TOTAL</b>	<b><u>72,286</u></b>	<b><u>22,490</u></b>

**20 RELATED PARTY TRANSACTIONS**

(a) National irrigation board owns 60 % shares in Western Kenya Rice Mills Ltd. The other 40 % is owned by WKRM farmers. There is an agreement between NIB and farmers for the former to provide administrative and accountancy services, after which NIB charges for the same at 3 % of gross revenue for the year.

(b) The MRM current account relates to inter-company transactions between MRM and WKRM in form of spares and packing materials. The transactions are at cost.

**TRADE & OTHER RECEIVABLES**

	<b>2014</b>
	<b>KSHS</b>
<b>Staff and other debtors</b>	
Nelson Gichohi	1,300
Daniel Atula	712
Fredrick Saitoti	23,645
S, Lalang	896
J. Kariuki	780
Juma gwambo	800
Amalo Co. Ltd	173,750
John Juma	3,600
Cardinal O. high sch.	831,000
NCPB	963,977
Duncan Oronge	2,837
Peter Rachuonyo	2,450
Edwin Otieno	6,850
Ngere Kagoro Sec . School	70,000
Ombeyi Mixed Sec. School	132,250
Kenyatta University	3,395,190
Kabianga University	1,650,000
Jaramogi O. O. Training R. Hosp.	907,250
Nyamagwa Boys Sec. School	520,000
Okanja Mixed Day Sec. School	22,480
Victoria Sub- district Hospital	140,000
	<b>8,849,767</b>

**BANK ACCOUNT Nos.**

KCB Nairobi

1107178711

KCB Kisumu

1108288707