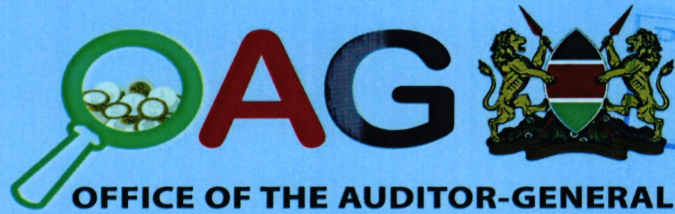


REPUBLIC OF KENYA



Enhancing Accountability

REPORT THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 29 MAR 2022

DAY.

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OF

TABLED
BY:

LDM

CLERK-AT
THE-TABLE:

F. Mun'uki

THE AUDITOR-GENERAL

ON

WESTERN KENYA RICE MILLS LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2020**



WESTERN KENYA RICE MILLS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2020

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

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1. KEY ENTITY INFORMATION

Background Information

Western Kenya Rice Mills (WCRM) Ltd was incorporated in 1993 under the Companies Act, CAP 486(now repealed and substituted with Companies Act 2015). National Irrigation Authority (60% shareholding and Western Kenya Schemes Rice Farmers at 40% of shareholding) jointly owns the Company. The Company is domiciled in Kenya and is located in Kisumu County.

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

Principal Activities

The principal activity of the Company is processing and marketing of milled white rice mainly from Western Kenya Schemes. However, due to changes in the business environment, the Company sometimes deals in the marketing of paddy and also purchasing of processed rice and selling to its customers.

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) and Kenya National Trading Corporation (KNTC). Our target customers are vendors, schools, universities, hospitals and public institutions, wholesalers and individual buyers.

KEY ENTITY INFORMATION (Continued)

Directors

Hon. Eng. Joshua N. Toro	Chairman	Appointed on 03/05/2019
Mr. Gitonga Mugambi	Managing Director	Appointed on 01/08/2017
Mr. Jason Ong'any	Representative - Ahero Multipurpose Co-operative Society	Appointed on 2019
Mr. Micheal Congo	Representative - Magombe Multipurpose Co-operative Society	Appointed on 29/05/2018
Mr. David Odhiambo	Representative - West Kano Multipurpose Co-operative Society	Appointed on 2019
Mr. Aboud Moeva	Alternative representative to PS, State Department of Irrigation, Ministry of Water Sanitation and Irrigation	Appointed on 14/12/2018
Mr. Peter Waweru	Inspectorate of State Corporations	Appointed on 06/2018
Mr. Charles Kairu	Alternative representative to CS, National Treasury	Appointed on 14/10/2015

Corporate Secretary

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

Western Kenya Rice Mills Ltd

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Corporate Headquarters

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

Corporate Bankers

- i. Kenya Commercial Bank Ltd
Kencom house
P.O. Box 30081
NAIROBI.
- ii. Kenya Commercial Bank
P.O. Box 30081
KISUMU.

Independent Auditors

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

2. THE BOARD OF DIRECTORS

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



HON. ENG. JOSHUA N. TORO – CHAIRMAN


Hon. Eng. Joshua Ngugi Toro was appointed as the Chairman of National Irrigation Authority Board of Directors on May 3, 2019 via the Kenya Gazette special issue Vol. CXXI.56. He holds Bachelor of Science Degree in Mechanical Engineering from the University of Nairobi. He is a registered Engineer by Engineers Registration Board and a member of the Institution of Engineers of Kenya. His Engineering career started immediately after graduating in 1977 at Kenya Railways Corporation (KRC). While at KRC, he was seconded to the Union of African Railways Headquarters in Kinshasa, Democratic Republic of Congo as Head of Engineering between 1989 and 1992. The Union is a specialized agency of the African Union (AU) responsible for the promotion of railway network interconnection and transportation of goods and passengers within African Countries. As Head of Engineering, he was responsible for research and feasibility studies, policy development for acquisition, design, renewal and standardization of rolling stock and equipment and evolution of maintenance standards for the members' railways. The Government of Kenya accorded him Diplomatic status during this period (1989 to 1992). Hon. Eng. Toro served as a Member of Parliament for Kandara Constituency for ten (10) years from 1997 to 2007. H.E Mwai Kibaki, who was the Official Leader of Opposition then, appointed him shadow Minister for Roads, Public Works and Housing in parliament for five (5) years between 1997 and 2002. He also served as the Vice Chairman of the Parliamentary Committee for Labour, Health, Housing and Social Welfare between 1997 and 2002. He was

	<p>appointed by the then President H.E Mwai Kibaki as an Assistant Minister for Roads, Public Works and Housing for five (5) years between 2003 and 2007. While in Parliament, he served as Member of African Parliamentarians Network Against Corruption (APNAC) that is affiliated to the Global Organization of Parliamentarians Against Corruption between 1997 and 2009. Hon. Eng. Toro was one of the pioneer members of the Board of Directors of Kenya National Highways Authority (KeNHA) that established it from scratch to the current formidable organization it is today. He was a Board member at KeNHA for five (5) years between 2008 and 2012 where he also served as the Chairman of the Board's Technical committee alongside being a member of the Audit and the Procurement Oversight Committees. His background in Engineering and experience in the various leadership roles will help him lead NIA in implementing its mandate so as to effect and promote the Government's Big4 Agenda on Food Security and Nutrition.</p>
	<p>MR. GITONGA MUGAMBI – MANAGING DIRECTOR</p> <p>Mr. Gitonga Mugambi was appointed the Chief Executive Officer of National Irrigation Authority on 1st August 2017. He is also the Managing Director of the Company by virtue of him being the Chief Executive Officer of the National Irrigation Authority. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds MBA in Strategic Management from Kenya Methodist University. Mr. Gitonga Mugambi is a well-accomplished agriculturalist with experience of over 25 years in planning and strategy, resource mobilization, Formulation of irrigation development programmes such as economic stimulus programme. His experience is valuable in policy formulation, implementation and management of Western Kenya Rice Mills Ltd.</p>



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

Mr. Moeva was appointed to the Board on December 14, 2018. He is a holder of a Master in Business Administration (MBA) Degree in Strategic Management and a Bachelor's Degree in General Agriculture both from the University of Nairobi. He possesses vast expertise in Agriculture and is an agriculturalist/community mobilizer as well as acquiring an extensive professional profile of 21 years' experience in management of Irrigation development. He has done several professional courses such as Irrigation Project Preparation Course, Ministry of Agriculture (1989), Farmers Organization and Development, Ministry of Agriculture (1989) and Smallholder Irrigation Promotion Course, Tsukuba International Centre - Japan (1999) among others. He currently holds office as the Director of Irrigation Water Management and has previously held several responsibilities including: Head of Planning, Monitoring and Information Management - Ministry of Water and Irrigation, Head of Budget and Project Coordination Branch-Ministry of Agriculture, District Agricultural Officer-Lamu district among others.

 A portrait of Mr. Michael Congo Ouma, a man with short grey hair, wearing a grey suit jacket, a red shirt, and a yellow tie. He is sitting at a desk with a white document in front of him, holding a pen.	<p>MR. MICHAEL CONGO OUMA, NON – EXECUTIVE DIRECTOR</p> <p>Mr. Michael Congo Ouma joined the Company’s Board on 29th May 2018. 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.</p> <p>His previous assignments include, a member of the Steering committee Bunyala Family Development project funded by World Vision Kenya from 1988-1997, Secretary to Ford Kenya Budalangi Sub-Branch in 1996 and Councilor Bunyala South Ward as well as Chairman of the Full Council (Busia County Council) from 1999-2007.</p>
 A portrait of Mr. David Odhiambo Ndhine, a man with short black hair, wearing a blue suit jacket, a pink shirt, and a blue tie. He is sitting at a desk with a white document in front of him.	<p>MR DAVID ODHIAMBO NDHINE, NON-EXECUTIVE DIRECTOR</p> <p>A committed lecturer with over 6 years’ experience. He holds an MBA in Finance, a Post Graduate Diploma in Marketing and A Bachelor of Arts in Administration.</p> <p>He was the Centre Manager/ Lecturer at Dalc Education from 2010-2013. Principal/Lecturer at Ribm Maseno University, Migori Campus as from August 2013 to May 2014. Part-Time Lecturer at Kisii University as from April 2016 to August 2017.</p> <p>He is currently a Part-Time Lecturer at Laikipia University from April 2015, at Jaramogi Odinga Oginga University, teaching undergraduates; Financial management, Marketing strategy and planning, Business Ethics and Cost Accounting</p>

 A portrait of Mr. Jashon Ong'Any, a middle-aged Black man with short hair, wearing glasses, a blue suit jacket, a white shirt, and a red patterned tie. He is seated at a dark desk with his hands resting on it.	<p>MR JASHON ONG'ANY, NON-EXECUTIVE DIRECTOR</p> <p>Joined the board in 2019 representing Ahero Multipurpose Co-operative Society. He is a retired police officer, was holding the post of senior superintendent of police having served for 34 years. He headed various countries as criminal investigations within the Republic of Kenya.</p> <p>He is also a holder of Diploma in public Relations and Ethics from Kenyatta University and a holder Master's degree in Peace Conflict studies from Kampala University. He is currently a director of Jashon Security Services (a company dealing with investigations and security management). He is also a staunch rice farmer at Ahero Irrigation Scheme.</p>
 A portrait of Mr. Charles Kairu, a middle-aged Black man with short hair, wearing a blue checkered blazer over a red and white striped shirt. He is looking directly at the camera against a plain background.	<p>MR. CHARLES KAIRU – ALTERNATE TO PRINCIPAL SECRETARY, MINISTRY OF FINANCE, NON-EXECUTIVE DIRECTOR</p> <p>Mr. Charles Kairu was appointed to the Board on 14th October 2015 as alternate Director to the Principal Secretary, National Treasury. He is holder of a Master Degree in Development Economics from Williams College, USA and a Bachelor's Degree in Economics from the University of Nairobi. He has over 30 years' experience in the Public Service and is currently serving as Senior Assistant Director in the Public Debt Management Office at the National Treasury.</p>



**MR. PETER WAWERU – INSPECTORATE
OF STATE CORPORATIONS**

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

3. MANAGEMENT TEAM

The management team comprises of the Chief Executive Officer, the Deputy General Manager and the Company Secretary as follows:

	<p><i>Mr. Gitonga Mugambi, - Chief Executive Officer.</i></p> <p>Mr. Gitonga Mugambi was appointed the Chief Executive Officer of National Irrigation Authority on 1st August 2017. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds MBA in Strategic Management from Kenya Methodist University. Mr. Gitonga Mugambi is a well-accomplished agriculturalist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of National Irrigation Authority.</p>
	<p><i>Mr. Daniel Atula Masatia, - Deputy General Manager – Operations.</i></p> <p>Mr. Daniel Atula Masatia was appointed to the post of Deputy General Manager Operations of National Irrigation Authority on 1st February, 2018 and is also the acting Deputy General Manager Corporate Services. He holds Bachelor of Science degree in Agriculture from University of Nairobi and is currently pursuing his MBA in Strategic Management. Mr. Daniel Masatia is a well accomplished agriculturalist and manager with experience of over 25 years in scheme, projects and research operations, planning and Strategy formulation and implementation, Resource Mobilization, Formulation and execution of irrigation programmes ranging from development to operations. His experience and expertise is valuable in policy formulation and in the provision of irrigation services.</p>



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

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



JEDIDAH N. ODUORI, HEAD OF FINANCE

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

4. CHAIRMAN'S STATEMENT


The year ended 30th June 2020 was a very challenging one. During the first half of the financial year, the company faced acute paddy shortage and loss of critical market, which led to low production, and underutilization of the factory operations. This was occasioned by low operating capital and stiff competition from private traders who majorly influenced paddy purchases in the region.

Despite the significant challenges faced by the company during the year under review, His Excellency the president announced new measures to address the local rice economy which boosted the company's performance in the second half of the FY. Following the directive that KNTC (Kenya National Trading Corporation) entered in to a contract with the company to buy paddy from farmers, mill it and supply to government institutions with an objective of ensuring government institutions consume locally grown rice. This directive placed WKRM in a strategic position to buy, mill and supply both Basmati and Sindano rice from the region to KNTC. During the year under review, the company has milled and supplied over 400MT of white rice to KNTC valued at over Kshs. 29,260,000.00

The future of the rice sub-sector will be vibrant due to the initiatives being implemented by the Government under the Big 4 Agenda, specifically targeted at increasing acreage under rice production. We are therefore looking forward to aligning ourselves with the ever-changing consumer and market needs, government policy shifts, and changing business environment. It is our hope that once the mill increases its capital base, it will increase its turnover and eventually realize profits.

Finally, I wish to take this opportunity to convey my appreciation to my fellow directors for their support and diligence and to the management and staff for their hard work.

Sign..........Date.....28/01/2021.....

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

5. REPORT OF THE MANAGING DIRECTOR

I note the remarkable efforts and support accorded by the Board of Directors, Management and staff during the 2019/20 FY. The performance of the company has improved as compared to the last financial year. The incline is attributed to the entry of Government in purchase of milled rice from our company majorly through KNTC (Kenya National Trading Company)

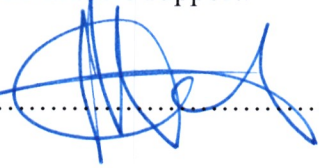
The core business of Western Kenya Rice Mills Ltd has been milling and marketing of rice mainly from Ahero and West Kano Irrigation Scheme. In this way, WKRM has remained committed to promoting the productivity of the schemes. The Mills endeavors to play pivotal role in value-addition and generation of rural employment and economic growth for the local and regional population. Our overall goal is to ensure food security, stable paddy and rice prices and increased consumption of rice through improved market access. The First half of the year 2019/20 was a challenging year for the company in execution of its core business because of inconsistent paddy supply due to limited capital outlay and purchasing power for the raw materials. However, this changed in the second half of the year when KNTC entered in to a supply contract with the company.

Milling income increased over the year due to milling services offered to the cooperative societies across the schemes (Ahero, WestKano and Bunyala). However, the quality of rice remains a challenge owing to inefficient mill that has no color-sorter, moist polisher, and destoner. We however thank the Board for the approval to install new paddy separator which has been constantly breaking down. Need to modernize the mill is compelling. To achieve profitability, we are undertaking a number of initiatives to ensure that our products are available to our consumers on time; Mill modernization to enhance efficiency and attract high number of customers, Streamline farmers' payment system to facilitate timely payment and further engagement with KNTC on price reviews.

Finally, it is important to note that, WKRM has delivered more Human welfare benefits in ways not directly captured in audited financial reports. We have improved community welfare through stable prices and provision of local employment -both directly and indirectly.

To conclude, I once more appreciate our customers who have over the years continued to enjoy our array of products and for that, we are grateful. We promise to work continuously to address their ever-evolving needs. We also appreciate our suppliers, other business partners and regulators for their invaluable support.

Sign.....



Date:

28/01/2021.....

MR. GITONGA MUGAMBI
MANAGING DIRECTOR

Western Kenya Rice Mills Ltd

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6. REVIEW OF WKRM LTD. 'S PERFORMANCE FOR FY 2019/2020

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

During the financial year under review, WKRM 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 2019/2020.

7. 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. Boards of directors are responsible for the governance of their companies. 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.

Good Corporate Governance seeks to promote:

- Efficient, effective and sustainable corporations that contribute to the welfare of society by creating wealth, employment and solutions to emerging challenges.
- Responsive and accountable corporations.
- Legitimate corporations that are managed with integrity, probity and transparency.
- Recognition and protection of stakeholder rights.
- An inclusive approach based on democratic ideals, legitimate representation and participation.

The pillars of successful corporate governance are:

- Accountability
- Fairness
- Transparency
- Assurance
- Leadership
- Stakeholder management.

The benefits of corporate governance include:

- Ensuring corporate success and economic growth.
- Strong corporate governance maintains investors' confidence, because of which, company can raise capital efficiently and effectively.
- It lowers the capital cost.

Western Kenya Rice Mills Ltd

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- There is a positive impact on the share price.

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.

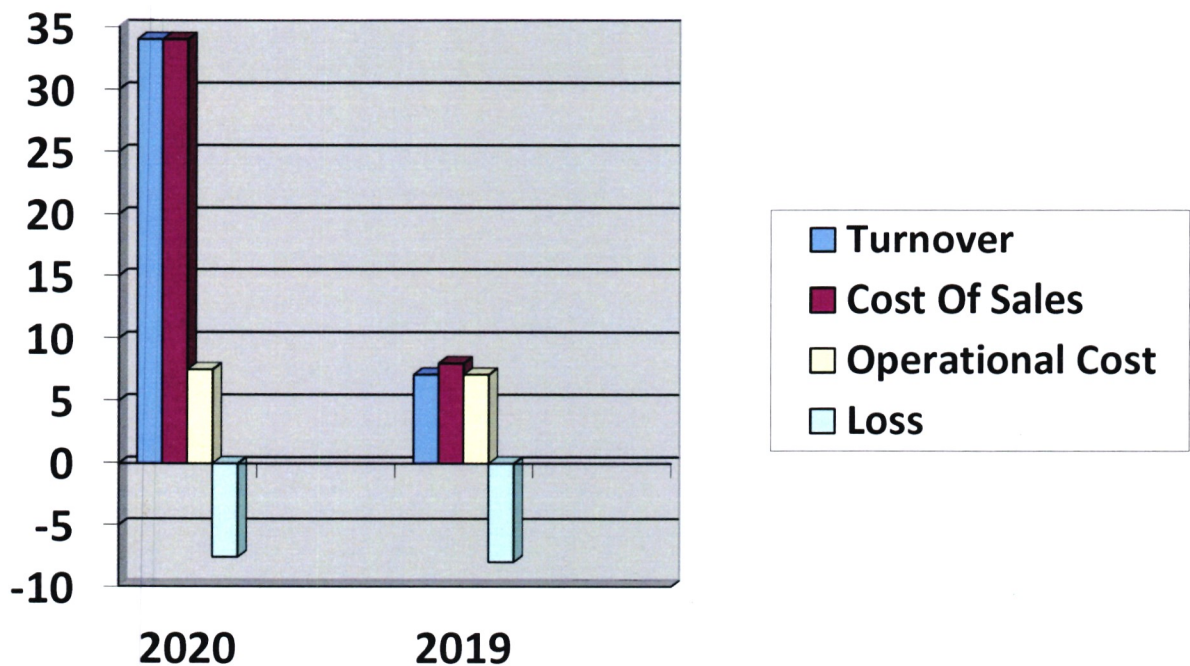
The Management is responsible for the governance of Western Kenya Rice Mills Ltd and conducts the business and operations of Western Kenya Rice Mills Ltd with integrity and in accordance with generally accepted corporate practices, in a manner based on transparency, accountability and responsibility.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Company’s turnover for the current financial year 2019/2020 is Ksh. 34,343,519.00 while the previous year had Ksh. 7,108,484.00. Hence, 79% increase as compared to the previous financial year 2018/2019. The cost of sales increased from Ksh. 8,094,785.00 in the previous year to Ksh. 34,384,683.00 in the current year 2019/2020. Thus resulting to 325% increase in cost of sales when comparing the two financial years. This information is highlighted in the form of a bar chart, below.

The operational costs increased from Kshs. 7,107,386.00 to Kshs. 7,509,064.00 in the current financial year 2019/2020 representing an increase of 5.38% in operational costs. The Company’s loss for the current financial year 2019/2020 decreased from Kshs. 8,093,687.00 to Kshs. 7,550,228.00 representing 6% decrease.

Figure 1: Y Axis represents Ksh. In Millions



9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

1. Sustainability Strategy and Profile

Western Kenya Rice Mills (WCRM) Co. Ltd was incorporated in 1993 and is jointly owned by the National Irrigation Authority (then National Irrigation Board) (74% shareholding and Western Kenya schemes Rice Farmers at 26% of shareholding).

Its core business is processing and marketing of milled white rice mainly from Western Kenya Schemes. Due to the liberalization of the East African Market, until late 2019, there had been cross border trading influx from Ugandan private businessmen and brokers that had negatively affected the operations of the mill as most paddy is being sold to the Uganda market as opposed to the mill due to;

- i. Cash purchasing of paddy from the farmers as opposed to delayed payments by WCRM due to liquidity issues.
- ii. Paddy quality requirements, where WCRM have set regulations and parameters with regards to impurities, grain maturity, moisture content and pure varieties. The other competitors cared less on the same and thus influencing farmers' decision making.
- iii. Unhealthy price competitions, whereas WCRM by the guidance with its Board of Directors/express directives would have a regulated purchasing price, the competitors would take advantage of this situation and hike prices in their favor.

This has led to under operations of the mill thus incurring losses for close to 10 yrs. In the year 2020 the mill came back to lifeline after the presidential directive that required mopping up of the Kano plain rice and selling to KNTC. However, the prices offered to the farmers by the directive is not favorable to the mill considering the operations costs, high maintenance costs brought about by the aging of the plant and the mill has not been able to break even in the last 9 months.

2. Environmental Performance

WKRM being an electrically motorized plant has had very limited environmental pollution with respect to air. However, the mill has little sound pollution and waste pollution as a result of the husk that comprises of 18% of the paddy milled. The Company has been able to dispose off all of its rice husks produced through;

- i. Selling to manufacturing companies for usage in either, fuel for the boilers, manufacturing of briquettes, manufacturing of chipboards and to the Cement companies that drive the pozzolan content of the husks for cement manufacturing.
- ii. Through our AIRS the rice husks to a good percentage have also been burnt to achieve an alkaline ash that has been widely used to balance the nutrient requirements for the paddy fields especially in the rice nurseries.
- iii. The mill has also undertaken a CSR activity by supporting the neighboring community and schools with 3000 tree seedlings yearly in order to enhance forest cover thereby ensuring environmental conservation in the area.

3. Employee Welfare

- i. WKRM being a subsidiary of the National Irrigation Authority and a shareholding by the farmers' Cooperatives, its employees have the National face with youth and gender representation equally taken care of. Close to 90% of casual staff are drawn from the farming communities and the farmers' cooperative in order to give them a sense of belonging and ownership whereas the senior management is overseen by staff from the Authority who are recruited competitively and on merit as per the National Irrigation Authority HR regulations.
- ii. WKRM has managed to keep her technical and supervisory level of staff for long and this has enabled the company to undertake and keep to an attainable level of its repairs and maintenance costs.
- iii. There has also been technical and management knowledge transfer from the senior staff to junior staff that the mill can manage to run on shifts or even when the senior staff are on leave or retired.

- iv. To date, all the salaries for both contracted and casual staff is being paid on time and all statutory deductions are remitted to the relevant bodies.
- v. In compliance with the Occupational Health and Safety Act, WKRM in collaboration with the Public Health have ensured the health standards are met and periodical inspections and certification of the facility has been up to date.
- vi. The staff are protected against pollution and mechanical injuries by ensuring all time donning PPEs including nose, ears, eyes, body and feet protectors.

4. Market Place Practices

WKRM has outlined its effort to;

(a) Responsible Competition Practice

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

(b) Responsible Supply Chain and Supplier Relations

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

(c) Responsible Marketing and advertisement

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

(d) Product Stewardship

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

WKRM products are tested and certified by KEBS.

Community Engagements

WKRM as a company fully engages the community it in offering its services. It also assists with material donation to the less fortunate class of the society. Such materials can be in form of clean water supplied to the community during floods and funerals, firewood, foodstuff supplied to children`s home, and sport activities provided to young people within the community. Land donation for Kigoche school and college construction, construction of nursery classes in Kigoche primary and Kobura primary schools.

10. REPORT OF THE DIRECTORS

The directors submit this report together with the financial statements for the year ending 30th June 2020, which show the state of the Western Kenya Rice Mills Ltd Company's affairs.

Principal activities

The principal activities of the Company are processing and marketing of milled white rice and the By-products mainly from Western Kenya Schemes.

Results

The results of the Company for the year ending 30th June 2020 are set out on pages 1 to 3 of the financial statements.

Dividends

The Directors did not recommend the payment of dividend for the year ending 30th June 2020 as the Company did not post any profits.

Directors

The Board of Directors for the Company comprises of;

- The Chairman who is also the Chairman of the NIA's Board of Directors,
- Three National Government representatives. Namely;
 - i. Alternate Representative CS National Treasury
 - ii. Alternate Representative to the PS Ministry of Water, Sanitation & Irrigation
 - iii. the office of the Inspectorate to State Corporations as an ex-officio member
- The Managing Director who also serves as the Chief Executive Officer of NIA,

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- The Chairmen of Ahero Multi-Purpose Co-op Society, West Kano Farmers Co-op Society and Magombe Multi-Purpose Co-op Society. The farmers' representatives' directorship only ceases once they stop serving in those capacities for their Societies.

Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya, 2010 and the Public Audit Act 2015.

By Order of the Board

Sign.....

Ms. Nancy Wambugu
Ag. Company Secretary.

Date.....28/01/2021.....

11. STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at 30th June 2020 This responsibility includes:

- Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company;
- 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;
- Safeguarding the assets of the Company;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates that are reasonable in the circumstances.

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

during the four quarters ending 30th June, 2020, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Company's financial statements were approved on 28/01/2021 and signed on its behalf by:

Sign.....

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

Date.....

28/01/2021

Sign.....

MR. GITONGA MUGAMBI
MANAGING DIRECTOR

Date.....

28/01/2021

Western Kenya Rice Mills Ltd

Annual Reports and Financial Statements
For the year ended June 30, 2020

REPUBLIC OF KENYA



Enhancing Accountability

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WESTERN KENYA RICE MILLS LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Western Kenya Rice Mills Limited set out on pages 1 to 19, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit and 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 the Western Kenya Rice Mills Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Lack of Ownership Documents and Valuation for Property, Plant and Equipment

The statement of financial position and as disclosed in Note 2 to the financial statements reflect property, plant and equipment balance of Kshs.2,934,599. As reported in the previous year, the balance excludes undetermined value of land without title deeds on which the Company's building. In addition, this building which hosts the Company's offices has cracks on the walls and it was condemned by health officials in 2016.

Under the circumstances, the accuracy, fair statement and ownership of the property, plant and equipment balance of Kshs.2,934,599 as at 30 June, 2020 could not be ascertained.

2. Inaccuracies in Share Capital Ownership and Holding

The statement of financial position and as disclosed in Note 6 of the Financial statements reflects share capital balance of Kshs.35,049,935, which differs with the balance of

Kshs.32,728,600 reflected in the records maintained by the Registrar of Companies, resulting to a difference of Kshs.2,321,335 between the two sets of records. Management attributes the difference to shares acquired by farmers which are not reflected in the Registrar's records. However, Management did not provide for audit documentary evidence in support of the explanation.

In addition, the National Irrigation Authority owns shares valued at Kshs.25,200,000 representing 71.9% of the total shares of the Company. However, minutes of the Company's Board provided for audit indicate that the National Irrigation Authority shareholding is 76.5% of the Company's 310,800 shares valued of Kshs.31.1 million.

In the circumstances, the completeness, completeness, value and holding of the share capital balance of Kshs.35,049,935 as at 30 June, 2020 could not be confirmed.

3. Irregular Payment of Sitting Allowance

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects Board expense of Kshs.155,000. Included in this amount is sitting allowance of Kshs.90,000 out of which an amount of Kshs.9,000 was paid to a staff member of the Inspectorate of State Corporations. This is contrary to circular No. OP/CAB.9/1A of 8 November, 2013 which provides that only members of the Board of a state organ are eligible to be paid sitting allowance.

Consequently, the payment of Kshs.9,000 to a staff member of the Inspectorate of State Corporations was irregular.

4. Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.7,550,228 for the year ended 30 June, 2020. Further, the statement of financial position reflects negative retained earnings of Kshs.62,522,441 as at 30 June, 2020. These conditions, which have been reported consistently from 2016/2017 financial year, indicate that a material uncertainty exists, which cast significant doubt on the Company's ability to continue as a going concern. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company's board of directors to reverse the negative going concern indicators have not been disclosed in the notes to the financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of Directors as required by the Companies Act, 2015, and the statement of the Directors' Responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

In connection with the audit of the 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 the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Non-Compliance with Law on Annual Procurement Planning

Review of the Company's annual procurement plan revealed that the plan did not include preferences of at least 30% of the total annual procurement to cater for the disadvantaged groups. This was contrary to Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020 which provides that an Accounting Officer of a procuring entity shall when processing procurement under Section 157(5) of the Act allocate at least thirty percent (30%) of its annual procurement budget for the purposes of procuring goods works and services from enterprises owned by youth women and persons with disability.

In addition, the procurement plan did not put into consideration the provisions of Legal Notice 106, which prescribes the applicable threshold for use of quotation method of procurement as detailed below;

Description	Method of Procurement	Cost as per Plan (Kshs.)	Maximum Threshold (Kshs.)
Packing Materials	Quotation	2,661,500	2,000,000
Construction of New Office Block	Quotation	5,570,000	4,000,000
Mills Modernization	Quotation	11,500,000	2,000,000
Mills Rehabilitation	Quotation	3,000,000	2,000,000

Consequently, Management was in breach of law.

2.0 Board Meetings

The Company did not hold an Annual General Meeting during the year under review, contrary to Section 310(1) of the Companies Act, 2015 which provides that every public company shall hold a general meeting as its annual general meeting within six months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period. Further, the Company's Board held only two (2) meetings during the year under review. This is contrary to Section 8(1)(a) of the State Corporations Act CAP 446, which provides for a minimum of four (4) meetings per year.

Consequently, Management of the Company was in breach of law in not holding the required meetings.

3.0 Lack of Internal Audit Function and an Audit Committee of the Board

The Company has not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 73 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

Consequently, the Bureau was in breach of law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and 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 the 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with books of account; and
- (iv) In my opinion the information given in the report of the directors on pages xxiv to xxv is consistent with the financial statements.

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

Report of the Auditor-General on Western Kenya Rice Mills Limited for the year ended 30 June, 2020

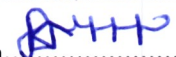

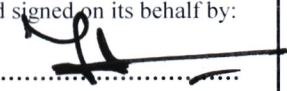
WESTERN KENYA RICE MILLS LTD
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
Turnover			
Turnover	11	34,343,519	7,108,484
Cost of sales	12	(34,384,683)	(8,094,785)
Gross profit/ Loss		(41,164)	(986,301)
Total Revenues		(41,164)	(986,301)
Operating Expenses			
Administration Costs	13	(6,716,043)	(6,311,442)
Other Expenses	14	(638,021)	(465,544)
Board Members	15	(155,000)	(330,400)
Total Operating Expenses	16	(7,509,064)	(7,107,386)
Profit/(Loss) before Taxation		(7,550,228)	(8,093,687)
Total Comprehensive Income for the year		(7,550,228)	(8,093,687)

WESTERN KENYA RICE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2019/2020 Kshs	2018/2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	2	2,934,599	3,215,104
Total Non-Current Assets		2,934,599	3,215,104
Current Assets			
Inventories	3	11,424,036	3,965,840
Trade and other receivables	4	4,033,760	2,195,713
Bank and cash balances	5	3,893,608	3,769,450
Total Current Assets		19,351,404	9,931,003
		22,286,003	13,146,107
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	6	35,049,935	35,049,935
Retained earnings	7	(62,540,062)	(67,579,281)
Total Capital and Reserves		(27,490,127)	(32,529,346)
Non-Current Liabilities			
Tax	8	-	10,440,517
NIA Current Account	9	47,677,569	33,482,549
Total Non-Current Liabilities		47,677,569	43,923,066
Current Liabilities			
Trade and other payables	10	2,098,560	1,752,387
Total Current Liabilities		2,098,560	1,752,387
TOTAL EQUITY AND LIABILITIES		22,286,003	13,146,107

The financial statements were approved by the Board on 28/01/2021 And signed on its behalf by:

Sign.....  MR. JOSEPH KIGOTHO SENIOR ACCOUNTANT NO. 17191 DATE..... 28/01/2021	Sign.....  MR. GITONGA MUGAMBI MANAGING DIRECTOR DATE..... 28/01/2021	Sign.....  HON. ENG. JOSHUA N. TORO CHAIRMAN DATE..... 28/01/2021
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2020**

	Ordinary share capital	Retained earnings	Total
	Kshs	Kshs	Kshs
At July 1, 2018	35,049,935	(51,576,126)	(16,526,191)
Prior year adjustments	-	(7,909,467)	(7,909,467)
Profit/Loss for the year	-	(8,093,688)	(8,093,688)
At June 30, 2019	35,049,935	(67,579,281)	(32,529,346)
At July 1, 2019	35,049,935	(67,579,281)	(32,529,346)
Prior year adjustments	-	12,589,447	12,589,447
Profit/Loss for the year	-	(7,550,228)	(7,550,228)
At June 30, 2020	35,049,935	(62,540,062)	(27,490,127)

WESTERN KENYA RICE MILLS LTD

STATEMENT OF CASH FLOWS FOR THE
YEAR ENDED 30 JUNE, 2020

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	Notes	Kshs 2020	Kshs 2019
Deficit/Profit		(7,550,228)	(8,093,688)
Prior Year Adjustment		12,589,447	(7,909,467)
Depreciation	2	280,506	1,248,703
Increase(Decrease) in Inventories	3	(7,458,196)	(3,088,572)
Increase(Decrease) in Receivables	4	(1,838,047)	16,562,202
Increase(Decrease) in Payables	10	4,100,678	4,677,412
		-	-
Net cash generated from/(used in) operating activities		<u>124,161</u>	<u>3,396,590</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net cash generated from/(used in) investing activities		<u>-</u>	<u>-</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Net cash generated from/(used in) financing activities		<u>-</u>	<u>-</u>
Increase/(Decrease) in cash and cash equivalents	5	124,161	3,396,590
Cash and Cash Equivalents at the beginning of the year	5	3,769,447	372,857
Cash and Cash Equivalent at the end of the year	5	<u>3,893,608</u>	<u>3,769,447</u>
Prior year adjustments refers to:			
1. Recognition of revenue on farmers total a/c for FY 2018/2019		2,157,930	
2. Tax provisions for previous years journalized to reserves		10,440,517	
3. Erroneous receipt cancelled in Mpesa Acc FY 2018/2019		(9,000)	
Total		<u>12,589,447</u>	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE, 2020**RECURRENT BUDGET FOR WKRM LTD FOR THE FY 2019/20**

	VOTES	ORIGINAL	ADJUSTMENT	FINAL	ACTUAL	VARIANCE	%
		BUDGET		BUDGET	BUDGET		
		2019/2020	2019/2020	2019/2020	2019/2020		
		Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue		35,000,000	-	35,000,000	34,343,519	656,481	2%
Expenditure							
Salaries & Wages Adm	951	1,900,000	-	1,900,000	1,839,635	60,365	3%
House allowance	961	160,000	-	160,000	156,000	4,000	3%
Casual wages	957	2,660,000	-	2,660,000	2,626,172	33,828	1%
Pension Fund Employer		210,000	-	210,000	203,931	6,069	3%
Medical allowance	838	24,999	-	24,999	24,999	-	0%
Travelling, Meals & Acc.	847	1,250,000	-	1,250,000	1,201,100	48,900	4%
Electricity – Factory	914	1,150,000	-	1,150,000	1,133,811	16,189	1%
Office Equipment Maintance		5,500	-	5,500	5,180	320	6%
Offices	711	390,000	-	390,000	384,622	5,378	1%
P & M mtce –Mills spares	641	510,000	-	510,000	504,882	5,118	1%
Motor vehicle mtce	621	461,000	-	461,000	460,293	707	0%
Board expenses	851	200,000	-	200,000	196,000	4,000	2%
Printing & Stationery	832	70,000	-	70,000	69,268	732	1%
Subscription & Periodicals	842	33,000	-	33,000	31,000	2,000	6%
Telephones	911	32,000	-	32,000	31,099	901	3%
Postage	913	2,800	-	2,800	2,709	91	3%
Bank charges	836	33,000	-	33,000	32,444	556	2%
Office tea	846	4,200	-	4,200	4,160	40	1%
Consumables	858	200,000	-	200,000	197,038	2,962	1%
Audit Fee	833	348,000	-	348,000	348,000	-	0%
NSSF	951	29,000	-	29,000	28,200	800	3%
Leave Allowance	810	65,000	-	65,000	63,420	1,580	2%
Paddy Purchases	349	28,100,000	-	28,100,000	28,028,965	71,035	0%
White rice Purchases	350	1,250,000	-	1,250,000	1,200,750	49,250	4%
Marketing /Advertising	843	10,000	-	10,000	9,800	200	2%
Fuel & Lubricants	916	400,000	-	400,000	393,315	6,685	2%
Packing materials	881	750,000	-	750,000	730,329	19,671	3%
Depreciation	54999	300,000	-	300,000	280,505	19,495	6%
NIB Admin & Accout. Fee	52010	995,000	-	995,000	993,220	1,780	0%
Legal and Professional Fee		470,000	-	470,000	464,000	6,000	1%
Computer and Accessory maintence		91,000	-	91,000	90,500	500	1%
Uniform and Protective clothing		160,000	-	160,000	158,400	1,600	1%
Total Recurrent Budget		42,264,499	-	42,264,499	41,893,747	370,752	1%
Surplus (Deficit)		(7,264,499)	-	(7,264,499)	(7,550,228)	285,729	
Capital Budget							
Mill Modernization	40	-	-	-	-	-	
Mills Rehabilitation	40	3,000,000	-	-	-	3,000,000	
Purchase of computer	52	50,000	-	-	-	50,000	
Purchase of photocopier	52	120,000	-	-	-	120,000	
New office block	30	5,750,000	-	-	-	5,750,000	
Furniture purchases	52	150,000	-	-	-	150,000	
Total Capital Budget		9,070,000	-	-	-	9,070,000	

ACCOUNTING POLICIES

1 General Information

Western Kenya Rice Mills Ltd is established by and derives its authority and accountability from the Companies Act Cap. 486. The Company is partially owned by the Government (National Irrigation Authority) and the farmers under their Co-operative Societies. Which are;

- i Ahero Multi-Purpose Co-op. Society Ltd.
- ii West Kano Farmers Co-op. Society Ltd.
- iii Magombe Multi-Purpose Co-op. Society Ltd.
- iv Cost of sales is calculated from the opening stocks plus purchase minus the closing stock.
- v We provide for bad and doubtful debts that are over 5 years.

The Company's principal activity is processing and marketing of milled white rice and the By-products mainly from Western Kenya Schemes.

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

2 Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, impaired assets at their estimated recoverable amounts determined liabilities at their present value. Preparation of financial statements and actuarially in conformity with the International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires the management to exercise judgement in the process of applying the Company's accounting policies.

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

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

3 Application of New and Revised International Financial Reporting Standards

- (i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. However, the company did not enter into lease agreements with third parties.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests.

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, the entity re-measures curtailment or settlement when its net defined benefit liability (asset) in the manner specified in the amended standard.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users' influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced of material in IAS 1. by a reference to the definition. In addition the IASB amended other Standards and the Conceptual material or Framework that contain a definition of refer to the term 'material' to ensure consistency. The amendments are applied beginning on prospectively for annual periods or after 1 January 2020, with earlier application permitted

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

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 financial year under review.

Summary of Significant Accounting Policies

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

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of the value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities as described below;

- i.) Revenue from the sale of goods and services** is recognised 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 recognised in the year in which the entity actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

The Company does not receive any grants from the National Government.

- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method. Though the Company did not receive such income during the year under audit.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established. However, the company did not receive such income during the year under audit.
- v) **Rental income** is recognised in the income statement as it accrue.
- vi) **Other income** is recognised as it accrues.

Financial Risk management

- (i) **Market risk**
Market risk is the risk that the fair value of financial instruments will fluctuate because of the changes in the market such as price fluctuations and changes in exchange rate. However, the Company was not exposed to this risk during the year under audit.
- (ii) **Foreign currency risk**
The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Company did not have any Foreign Currency Risk during the year under review.
- (iii) **Credit risk**
Credit risk is the risk that a customer will not meet his/her financial instrument or customer contract, leading to a financial loss. The company was not exposed to this risk during the year under audit.
- (iv) **Liquidity risk**
Liquidity risk is the risk that the company will not be able to meet its financial obligations when they fall due. The company limits this risk by conservative use of loan capital.
- (v) **In-kind contributions**
These refers to donations 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 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. No such contribution was received in the year under review.
- (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 accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

Depreciation and impairment of property, plant and equipment

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

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

Buildings	4%
Plant & Machinery	12.5%
Workshop Equipment	12.5%
Tools & Equipment	12.5%
Office Machinery	12.5%
Motor vehicles	25% (Straight Line)

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

Depreciation and impairment of property, plant and equipment

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

Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they were availed for use, usually over three years. However, the company did not incur such expense in the year under review.

Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is 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.

WESTERN KENYA RICE MILLS LIMITED
NOTE 2: PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2020

	OFFICE FURN & EQUIP.	BUILDINGS	PLANT & MACHINERY	MOTOR VEHICLES	TOOLS & EQUIPMENT	WORKSHOP & MACHINERY	TOTAL
	KSH	KSH	KSH	KSH	KSH	KSH	KSH
COST:							
AS AT 01.07.2018	447,988	6,836,487	29,994,849	3,229,080	1,230,018	678,735	42,417,157
ADDITIONS							
AS AT 30 - 06 - 2019	447,988	6,836,487	29,994,849	3,229,080	1,230,018	678,735	42,417,157
DEPRECIATION:							
AS AT 1st July 2018	415,011	3,360,012	29,115,134	3,229,080	1,194,104	640,008	37,953,349
CHARGE FOR THE YEAR	23,600	273,459	879,715	1	35,914	36,016	1,248,705
AS AT 30.06.2019	438,611	3,633,471	29,994,849	3,229,081	1,230,018	676,024	39,202,054
N.B.V. AS AT 30.06.2019	9,377	3,203,016	-	-	-	2,711	3,215,104
COST:							
AS AT 01.07.2019	447,988	6,836,487	29,994,849	3,229,080	1,230,018	678,735	42,417,157
AS AT 30 - 06 - 2019	447,988	6,836,487	29,994,849	3,229,080	1,230,018	678,735	42,417,157
DEPRECIATION:							
AS AT 1st July 2019	438,611	3,633,471	29,994,849	3,229,079	1,230,018	676,024	39,202,052
CHARGE FOR THE YEAR	5,672	273,459	-	-	-	1,374	280,505
AS AT 30.06.2020	444,283	3,906,930	29,994,849	3,229,079	1,230,018	677,398	39,482,557
NET BOOK VALUE:							
N.B.V. AS AT 30th June 2020	3,705	2,929,557	-	-	-	1,337	2,934,599
N.B.V. AS AT 30th June 2019	9,377	3,203,016	-	-	-	2,711	3,215,103

(c) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets. However, the Company does not own any investment property.

(d) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. The Company did not acquire any asset under lease during the year under review.

(e) Fixed interest investments (bonds)

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

(f) 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. The company did not trade in any interest investments during the year under review.

(g) Unquoted investments

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

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

(i) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectable 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.

(j) Taxation

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.

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.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. 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.

(l) 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. However, there were no such borrowings within the year under review.

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

(n) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees. 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.

(o) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date. However, no provision is made in the year under review since all leave pay is paid in the same year it is earned.

(p) 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 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. There were no exchange rate differences recognized during the year.

q) Budget information

The original budget for FY 2019-2020 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 Company adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

(r) 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 entitlement or otherwise – any significant residual interest in the asset at the end of 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.

(s) Comparative figures

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

(t) 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 30th, 2020.

(u) Significant Judgements and Sources of Estimation Uncertainty

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

(v) Estimates and assumptions

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

(w) Useful lives and residual values

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

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

(u) Provisions

Provisions were raised and management did not see the need to make a father provision since the current debtors are active. Additional disclosure of these estimates of provisions is included in Note 4.

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.

1 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year under review. However, no dividends were declared during the year under review.

2 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). However, no dividends were declared during the year under review.

3 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.

4 FAIR VALUE ADJUSTMENT RESERVE

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

5 RETAINED EARNINGS

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

6 INCORPORATION

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

7 EVENTS AFTER THE REPORTING PERIOD

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

8 CURRENCY

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2020 (CONTINUED)**

3	<u>INVENTORIES</u>	2019/2020	2018/2019
		KSHS	KSHS
	Factory Spares	1,055,339	1,085,321
	General store	81,447	103,639
	Sindano Paddy Stocks	668,800	2,206,080
	Basmati Paddy stocks	7,400,250	29,760
	Packing Materials	247,020	377,290
	Milled Rice	1,848,230	149,600
	By products stores	122,950	14,150
		<u>11,424,036</u>	<u>3,965,840</u>

4	<u>TRADE & OTHER RECEIVABLES</u>	2019/2020	2018/2019
		KSHS	KSHS
	Staff imprest	30,258	90,331
	Salary Advance	32,180	43,158
	Trade & Other Receivables	3,988,943	2,080,475
	TOTAL	<u>4,051,381</u>	<u>2,213,964</u>
	Less: provision for bad debts	(17,621)	(18,251)
		<u>4,033,760</u>	<u>2,195,713</u>

5	<u>CASH AND CASH EQUIVALENT</u>	2019/2020	2018/2019
		KSHS	KSHS
	KCB Nairobi - Kip.Hse	54,995	58,235
	KCB Kisumu-Kisumu	3,838,156	3,709,318
	Mpesa Account	-	-
	Cash in Hand	457	1,897
		<u>3,893,608</u>	<u>3,769,450</u>

6	<u>SHARE CAPITAL</u>	2019/2020	2018/2019
		KSHS	KSHS
	Authorised share capital		
	420000 shares at 100/- per value		
	The shares have been paid up as follows:		
	National Irrigation Authority	25,200,000	25,200,000
	Ahero Multi-Purpose Co-op. Society I	4,910,072	4,910,072
	West Kano Farmers Co-op. Society Lt	2,392,984	2,392,984
	Magombe Multi-Purpose Co-op. Soci	2,546,879	2,546,879
		<u>35,049,935</u>	<u>35,049,935</u>

7	<u>RETAINED EARNINGS /(LOSS)</u>	2019/2020	2018/2019
		KSHS	KSHS
	Balance b/f	(67,579,281)	(51,576,126)
	Prior Year adjustment	12,589,447	(7,909,467)
	Excess/(Deficit) for the year	(7,550,228)	(8,093,688)
	Balance c/f	<u>(62,540,062)</u>	<u>(67,579,281)</u>

8 <u>TAXATION</u>	2019/2020 KSHS	2018/2019 KSHS
Unpaid balance brought forward	-	10,440,517
BALANCE C/F	-	10,440,517

9 <u>NIA CURRENT ACCOUNT</u>	2019/2020 KSHS	2018/2019 KSHS
NIA current Account	47,677,569	33,482,549
	47,677,569	33,482,549

These include historical and current transactions between Western Kenya Rice Mills Ltd. and National Irrigation Authority

10 <u>TRADE & OTHER PAYABLES</u>	2019/2020 KSHS	2018/2019 KSHS
Audit Fee Provision	1,662,512	1,314,512
Trade	100,520	100,520
Others	335,528	337,355
	2,098,560	1,752,387

This account is used to record trade and other payables not paid by the close of the financial year. It also records provisions.

11 <u>TURNOVER</u>	2019/2020 KSHS	2018/2019 KSHS
Basmati rice sales	975,120	635,290
Sindano rice sales	30,071,520	5,937,100
Bran meal sales	562,500	178,900
Broken rice sales	1,162,500	115,500
Chicken feed sales	409,500	15,750
Sindano paddy sales	405,000	-
Miscellaneous Income	5,000	-
Milling income	752,379	225,944
	34,343,519	7,108,484

12 <u>COST OF PRODUCTION</u>	2019/2020 KSHS	2018/2019 KSHS
Sindano paddy to mills	26,341,710	5,235,710
Basmati Paddy to mills	1,687,255	922,740
Salaries & Wages - Casuals	2,626,172	554,805
Electricity	1,133,811	411,348
Plant & Machinery(Factory) Mtce	504,882	-
Depreciation - Tools& w/shop	1,374	71,931
Uniforms & Protective Clothing	158,400	10,404
Depreciation - Plant & Equipment	-	879,715
Sindano White Rice Purchases	1,200,750	-
Packing Materials	730,329	8,133
TOTAL	34,384,683	8,094,786

3 ADMINISTRATIVE EXPENSES	2019/2020	2018/2019
	KSHS	KSHS
(a) Staff Costs		
Salaries and Wages -Regular	1,839,635	2,120,154
NSSF	28,200	18,400
Pension Fund Employer/Gratuity	203,931	203,931
House Allowance	156,000	156,000
Leave & Transfer Allowance	63,420	53,604
Medical expenses (out-patient)	24,999	24,999
Sub-total	<u>2,316,185</u>	<u>2,577,088</u>
(b) Administration Costs		
Travelling and entertainment	1,242,100	1,508,154
Legal & professional fee	464,000	32,306
Audit fees	348,000	348,000
Printing and Stationery	69,268	33,747
NIA Admin. & Accountancy fee	993,220	213,255
Dep. -Office Machinery & Furn.	5,672	23,600
Buildings Mtce.- Offices	384,622	83,546
Depreciation- Buildings	273,459	273,459
Motor Vehicles Maintenance	460,293	151,318
Telephone	31,099	18,250
Security Services	-	241,657
General Admin. Services	-	783,723
Computer and Accessories MTCE	90,500	-
Office equipment mtce	5,180	-
Bank Charges	32,444	23,340
Sub-total	<u>4,399,857</u>	<u>3,734,355</u>
TOTAL	<u>6,716,043</u>	<u>6,311,443</u>
14 OTHER EXPENSES	2019/2020	2018/2019
	KSHS	KSHS
Advertising/ Marketing	9,800	-
Office Tea	4,160	5,040
Subscriptions & periodicals	31,000	120,699
Consumables	197,037	61,455
Diesel	393,315	277,900
Postages	2,709	450
TOTAL	<u>638,021</u>	<u>465,544</u>
15 BOARD MEMBERS EXPENSES	2019/2020	2018/2019
	KSHS	KSHS
Sitting allowance	90,000	127,000
Accomodation allowance	-	81,000
Travel expenses	33,000	38,400
Lunch allowance	32,000	84,000
	<u>155,000</u>	<u>330,400</u>
16 OPERATING EXPENSES	2019/2020	2018/2019
	KSHS	KSHS
Administration Expenses	6,716,043	6,311,442
Other Expenses	638,021	465,544
Board Members	155,000	330,400
	<u>7,509,064</u>	<u>7,107,386</u>

18 RELATED PARTY TRANSACTIONS

- (a) National Irrigation Authority owns 71.90 % shares in Western Kenya Rice Mills Ltd. The other 28.10% is owned by WKRM farmers. There is an agreement between NIA and the farmers for the former to provide administrative and accountancy services, after which NIA charges for the same at the rate of 3% of the gross revenue for the year.
- (b) The company management and the board of directors did not have any related party transactions with the company. However, there were some transactions between NIA and the Company. This is further disclosed under note (13 (b) of the notes to the financial statements as NIA Administration & Accountancy fee.

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Appendix 1

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe :
				(Resolved / Not Resolved)	(Put a date when you expect the issue to be)
1	Property, Plant and Equipment	The management has been unable to value this land due to the fact that this is Gazetted land without title deed. The said land is Gazetted under National Irrigation Authority. Since the company buildings stand on Gazetted land, it has been difficult to re-value the buildings as they cannot be re-valued separately from the land. Based on the ownership status, the land cannot be recognized in the books of the Company.	Manager WKRM Ltd.	Not resolved	30/06/2021
2	Inventories	The inventory balance of Ksh. 887,268 refers to the closing balance of the 07/2017/2018. However, the opening balance of Ksh. 3,965,840 was as a result of increase in: 1. Paddy stocks of Ksh. 2,235,840 from a nil balance in the previous financial year 2017/2018. 2. Factory stocks of Ksh. 1,085,321 from Ksh. 611,324 balance in the previous year 2017/2018. 3. Packaging materials stocks of Ksh. 377,290 from Ksh. 168,121 balance in the previous year 2017/2018. 4. General stores stock of Ksh. 103,639 from Ksh. 77,822 balance in the previous year 2017/2018. 5. Milled rice stock of Ksh. 149,600 from Ksh. 20,000 balance in the previous year 2017/2018. 6. By-products stock of Ksh. 14,150 from nil balance in the previous year 2017/2018. Hence giving an increment difference of Ksh. 3,088,572. The format for the stock sheets provided to the auditors in the year 2018/2019 is not different from what we have been providing and what we provided for the current financial year desk audit review.	Manager WKRM Ltd.	Resolved	30/06/2020
3	Cash Management	The principal activity of the company is processing and marketing of milled rice mainly from the Kenya Schemes as disclosed in the back-ground information of the company. This is the only source of funds for the company. Hence, all expenses of the company are met from the income generated through sale of rice and its by-products. The cash office for NIA serves both NIA and WKRM Ltd. Cash office transactions. It is also managed by the same cashier who is employed by NIA. NIA has insured cash both in transit and in cash office. Mpesa account was not in use during the financial year under review, however an amount of Ksh. 9,000 which was receipted manually in the cash book from the Mpesa account but related to the previous financial year 2018/2019 was adjusted to the retained earnings for the same previous year. Hence leaving the Mpesa account with a nil balance.	Manager WKRM Ltd.	Resolved	30/06/2020
4	Retained Earnings	The supporting documents for the figure of Ksh 12, 607,068 which refers to prior year adjustments and had not been provided during the desk audit review have now been provided for your review.	Manager WKRM Ltd.	Resolved	30/06/2020
5	Material Uncertainty in Relation to Going Concern	The Board and the Management during the 36th Director's virtual meeting held on 23rd June 2020 discussed and approved the business plan for the Company. This was in view of turning around the activities of the Company so as to achieve the going concern concept.	Management	Resolved	30/06/2020
Emphasis of Matter					
1	Long Outstanding Liabilities	The long outstanding audit fee of Ksh. 1,662,512 has remained in our books unsettled since we have never received invoices from The Office of The Auditor General to enable us settle the same.	Management	Not Resolved	30/06/2021

2	Share Capital	As indicated in note 6 in the financial statements, the authorized share capital is 420,000 shares @ Ksh100/= per share. While the paid up capital is Ksh. 35,049,935. From this information, NIA has 71.90% shareholding while the farmers through their respective Co-operative Societies have 28.10% shareholding.	Management	Resolved	30/06/2020
Basis for Conclusion					
1	Annual Procurement Plan	The procurement plan was drawn as per the financial budget. Due to constrained cash flow the procurement plan was not effected as planned. Hence, the spares for the mills were being procured on need basis using the low value procurement process as opposed to buying in bulk for storage.	Management	Resolved	30/06/2020
2	Performance and Productivity	The Board and the Management during the 36th Director's virtual meeting held on 23rd September 2020 discussed and approved the business plan for the Company. This was in view of turning around the activities of the Company so as to achieve the going concern concept.	Management	Resolved	30/06/2020
3	Board Meetings and Procedures	It is during this financial year under review when the new Irrigation Act, 2019 repealed the old Irrigation Act Cap. 347 hence, dissolving the Board. This had an effect on the Company meetings as it lacked the quorum to hold meetings due to lack of Executive directors and the Chairman. Despite the fact that the Board's meetings calendar had been put in place.	Management	Resolved	30/06/2020
4	Internal Audit	I. Western Kenya Rice Mills (WCRM) Ltd was incorporated in 1993 and is jointly owned by National Irrigation Authority (71.90% shareholding and Western Kenya schemes Rice Farmers at 28.10% of shareholding) The Company is in compliance with the PFM Regulation 2015. This is alluded by the fact that the following Board of Directors structure is in place i. The Chairman who is also the Chairman of National Irrigation Authority (NIA). ii. The Managing Director. iii. A representative of the Principal Secretary, Ministry of Finance iv. A representative of the Principal Secretary, Directorate of Irrigation, Ministry of Water, Sanitation and Irrigation. v. A representative of the Inspectorate of State Corporations. vi. One representative from Ahero Irrigation Scheme. vii. One representative from Bunyala Irrigation Scheme. viii. One representative from West Kano Irrigation Scheme. II Based on the lean composition, it has not been possible to come up with the recommended committees for the Company. Hence, the Company issues are			

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consoli dated in these financi al (Yes/N o)
1						
2						

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

Status of Projects completion

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

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

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Irrigation.				
FY 2019/2020				
a.	Recurrent Grants			
		Bank Statement I	Amount (KSh)	Indicate the FY to which the amounts relate
			xx	
			xx	
			xx	
		Total	XXX	
b.	Development Grants			
		Bank Statement I	Amount (KSh)	Indicate the FY to which the amounts relate
			xx	
			xx	
			xx	
		Total	XXX	
c.	Direct Payments			
		Bank Statement I	Amount (KSh)	Indicate the FY to which the amounts relate
			xx	
			xx	
			xx	
		Total	XXX	
d.	Donor Receipts			
		Bank Statement I	Amount (KSh)	Indicate the FY to which the amounts relate
			xx	
			xx	
			xx	
		Total	XXX	

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

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

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