

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 06 JUN 2023 DAY: TUESDAY

TABLED BY: HON. KIMANI ICHUNGWAI
CLERK-AT-THE-TABLE: MAJORITY LEADER
INZOFU MWALU

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THE AUDITOR-GENERAL

ON

**WESTERN KENYA
RICE MILLS LIMITED**

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

WESTERN KENYA RICE MILLS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

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

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1. KEY ENTITY INFORMATION

a) Background 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Western Kenya Rice Mills (WCRM) Ltd was incorporated in 1993 under the Companies Act, CAP 486(now repealed and substituted with Companies Act 2015).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%

b) 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)

c) Directors

Hon. Eng. Joshua N. Toro	Chairman	Appointed on 03/05/2019
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
Mr. Gitonga Mugambi	Managing Director	Appointed on 01/08/2017 Exited on 30/11/2022
Eng. Charles Muasya	Ag. Managing Director	Appointed on 06/12/2022

d) Corporate Secretary

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

e) Factory

Ahero
P.O. Box 1010-40100
KISUMU

f) Corporate Contacts

Telephone: (254) 0711 061 000

E-mail: Ceo@irrigation.go.ke

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

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

Principal Legal Advisor

The Attorney General
State Law Office
Harambee Avenue
P O BOX 40112
City Square 00200
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 appointed by the then President H.E Mwai Kibaki as an Assistant Minister for Roads, Public Works

	<p>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>He is a registered Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of Institution of Engineers of Kenya.</p>
	<p>MR. ABOUD MOEVA, ALTERNATE REPRESENTATIVE OF THE PRINCIPAL SECRETARY, DIRECTORATE OF IRRIGATION, MINISTRY OF WATER, SANITATION AND IRRIGATION.</p> <p>Mr. Moeva was appointed to the Board on December 14, 2018. He is a holder of a Master in Business Administration (MBA) Degree in Strategic Management and a Bachelor’s Degree in General Agriculture both from the University of Nairobi. 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,</p>

	<p>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.</p>
	<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>
	<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>Oginga University, teaching undergraduates; Financial management, Marketing strategy and planning, Business Ethics and Cost Accounting</p>
	<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>
	<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>

	<p>MR. PETER WAWERU – INSPECTORATE OF STATE CORPORATIONS</p> <p>Mr. Waweru joined the Board in June 2018 representing Inspector General (Corporations). He holds a Master of Business Administration Degree (Marketing option) and Bachelor of Commerce Degree (Accounting option). His current position is Deputy Inspector General (Corporations). He has served in various capacities including being a Town Clerk in the defunct Local Authorities.</p>
	<p>MR. GITONGA MUGAMBI, EBS-MANAGING DIRECTOR</p> <p>Mr. Gitonga Mugambi was appointed the Chief Executive Officer of National Irrigation Authority on 1st August 2017 and exited on 30th November 2022. He was the Managing Director of the Company by virtue of being the Chief Executive Officer of the National Irrigation Authority. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds MBA in Strategic Management from Kenya Methodist University. Mr. Gitonga Mugambi is a well-accomplished agriculturalist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of Irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of Western Kenya Rice Mills Ltd.</p>





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

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

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



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

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



Nancy M. Wambugu- Head Of Ict And Ag, Corporation 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.



Cpa Jedidah N. Oduori- Head Of Finance

Jedidah is currently the Head of Finance. Prior to this appointment, she had served in various capacities within the Finance and Audit departments of the Authority both at the Head Office and in the Western Kenya Schemes. She has a Master in Business Administration and Strategic Management degree from Daystar University, A Bachelor of Commerce (Accounting option) degree from Punjab University, India & 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

I am delighted to present to you our 43rd Annual Report and Financial Statements for the year ended 30 June 2022.

2021 will be remembered as the year of COVID-19. As the pandemic swept across the globe it caused an unprecedented public health crisis, throwing the world economy into great turbulence and a sense of uncertainty, with terrible loss of lives and livelihoods across the globe as economic recession became the norm for so many sectors.

This scenario coupled with the rice mill machine operating below capacity presented a unique challenging environment for the company. Financial performance in the year 2021-22 remained depressed affected majorly by the aging milling plant which could not mill rice to the projected quantity and quality; hence the loss of critical markets e.g KNTC, public institutions and retailers. While the year was not a record year in terms of financial performance, we took a deliberate path to vigilantly manage our costs, with a view to improving the performance despite the limited capital base.

In an effort to turn-around the company's fortunes, the Board reached out to the county Government of Kisumu for support towards purchase and installation of a new rice mill. This was agreed upon and as at the end of the financial year, the county had procured the mill, and awaiting installation. As we prepare to receive the new milling plant, capital outlay remains a serious challenge to the company and the board and shareholders are in a discussion on how to raise capital for purchase of paddy from rice farmers. With cutthroat competition in the rice sub-sector, there is need to focus on putting in place strategic measures to ensure that the company regains its position as the leading rice miller in western Kenya. With the support of the county Government and the shareholders, I am optimistic the company will raise the required capital to be able to remain afloat and improve its business objective.

I also applaud initiatives being implemented by the Government under the Big 4 Agenda, specifically targeted at increased acreage under rice production. This gives us a projection of a

brighter future in the rice milling industry, and therefore we are 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 is installed and capitated, it will increase its turnover and eventually realize profits.

Finally, I wish to extend my sincere appreciation to all our customers, business associates and service providers for their endearing trust, support and loyalty to our company, which inspires our commitment to turn-around the company's milling services in the region.

I am equally grateful to my fellow directors for the wise counsel and exemplary leadership they have continued to offer during the past year. I also wish to appreciate our outstanding Managing Director and his management team for their exemplary work, but above all, a big thank you to our staff, whose indomitable spirit has been a credit to themselves and to our company in what has been such a challenging year



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

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

5. REPORT OF THE MANAGING DIRECTOR

It is my pleasure to present to you the annual report and financial statements of WKRM for the year 2022.

I note the remarkable efforts and support accorded by the Board of Directors, Management and staff during the 2021/22 FY. The performance of the company has remained depressed which is attributed to a mix of factors among them limited capital outlay to purchase raw materials from farmers and an old/aging milling plant with very low recovery ratios which led to lose of crucial markets such as KNTC and retailers within the region.

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 year 2021 was a challenging year for the company in execution of its core business because of inconsistent paddy supply due to low capititation and the effect of COVID 19 pandemic on businesses.

Total sales for the year was Ksh. 4,239,348 which is a drop from the previous year. Milling income increased over the year due milling service provision to the farmer cooperatives and self-help groups. To achieve profitability, we are undertaking a number of initiatives to ensure that our products are available to our consumers on time;

- Installation of a new rice milling plant procured by the county Government of Kisumu to enhance efficiency and attract high number of customers
- Engagement with shareholders to raise the much needed capital to improve on the company's purchasing power.
- Developing a strong and aggressive sales and marketing system, earning on commission basis to ensure turnover.

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: 17/06/2023.....

ENG. CHARLES MUASYA
Ag. MANAGING DIRECTOR

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

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

During the financial year under review, 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 2021/2022.

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:

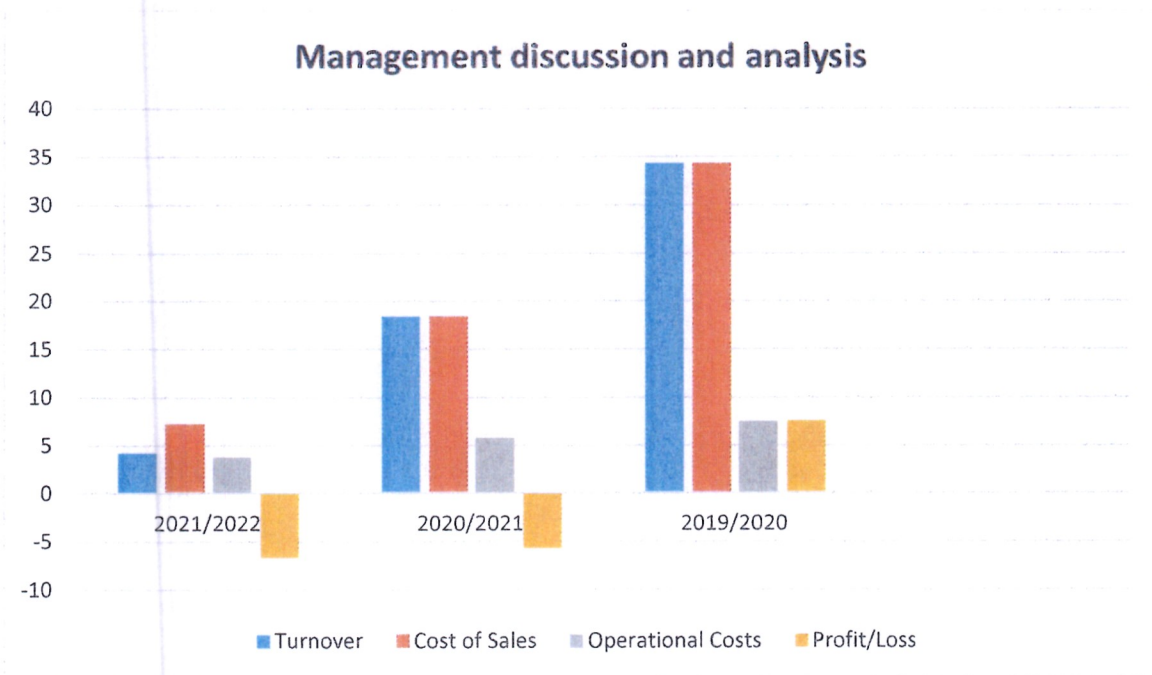
- Ensuring corporate success and economic growth.
- Strong corporate governance maintains investors' confidence, because of which, company can raise capital efficiently and effectively.
- It lowers the capital cost.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Company’s turnover for the current financial year 2021/2022 is Ksh. 4,239,348 while the previous years had Ksh. 18,404,119 for 2020/2021 and Ksh. 34,343,519 for 2019/2020. Hence, 77% decrease as compared to the previous financial year 2020/2021. The cost of sales decreased from Ksh. 34,384,683 in the year 2019/2020 to Ksh. 18,439,079 in the year 2020/2021 to Ksh. 7,196,333 in the current year 2021/2022. Thus resulting to 61 % decrease 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 decreased from Ksh. 7,509,064 in the year 2019/2020 to Ksh. 5,826,248 in the year 2020/2021 to Ksh. 3,820,871 in the current financial year 2021/2022 representing a decrease of 34 % in operational costs. The Company’s loss for the current financial year 2021/2022 increased from Ksh. 7,550,228 for the year 2019/2020 to Ksh. -5,861,208 for the year 2020/2021 to Ksh. -6,777,856 representing 16% increase.

Figure 1: Y Axis represents Ksh. In Millions



- 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.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Western Kenya Rice Mills (WKRM) 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 WKRM 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 (WKRM) 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 WKRM due to liquidity issues.
- ii. Paddy quality requirements, where WKRM 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 WKRM 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.

5. Corporate Social Responsibility /Community Engagements

WKRM as a company fully engages the community it in offering its services within the three public irrigation schemes of Ahero, West Kano and Bunyala. For the past year, WKRM reached out to the community through:

- i. Material donation to the farmers who were adversely affected by floods in Ahero and West Kano. In the period April -August 2021, majority of the farmers were displaced by floods and WKRM donated rice to the affected. Schools also benefited from the donations and this went a long way in cushioning the community from hunger.
- ii. WKRM donated land for Kigoche school and college construction, construction of nursery classes in Kigoche primary and Kobura primary schools. WKRM has also supported renovation of early childhood learning centre in Ahero Irrigation scheme which has over 80 children. Among the works done include donation of iron sheets and timber for the renovation works.
- iii. WKRM has also supported the rice farming community with clean drinking water during funerals, community ceremonies and floods. WKRM has also partnered with National Irrigation Authority in provision of boreholes to farmers in west kano and ahero to ensure they access safe and clean drinking water at all times.
- iv. WKRM also supported sports activities to young people within the community through participation in youth football tournaments, provision of balls and uniforms to the youth groups within the schemes.

10. REPORT OF THE DIRECTORS

The directors submit this report together with the financial statements for the year ending 30th June 2022, 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 ended 30th June 2022 are set out on pages 1 to 4 of the financial statements.

Dividends

The Directors did not recommend the payment of dividend for the year ended 30th June 2022 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,

- 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.....17/03/2023.....

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Companies Act, 2015 require the Directors to prepare financial statements in respect of 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 2022 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, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Company's financial statements were approved on 17/05/2023 and signed on its behalf by:



Sign.....

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

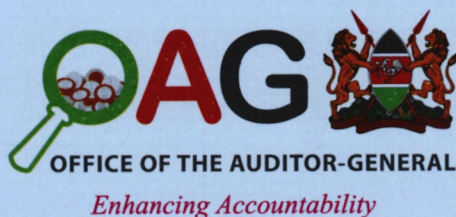


Sign.....

ENG. CHARLES MUASYA
Ag. MANAGING DIRECTOR

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Western Kenya Rice Mills Limited set out on pages 1 to 37, which comprise of the statement of financial position as

at 30 June, 2022, and the statement of 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 Western Kenya Rice Mills Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.4,188,207 as disclosed in Note 12 to the financial statements. The balance includes receivables of Kshs.3,880,888 that has been outstanding for a period of between one year to seven years and out of which Kshs.2,533,077 or 65% relates to three (3) Government institutions which was not supported. In addition, the balance includes provision for bad and doubtful debts of Kshs.17,621 which is similar to comparative balance despite different outstanding amounts at the end of the year. This was inconsistent with Note 3(m) to the financial statements which states that provision for bad and doubtful debts is based on all outstanding amounts at the end of the year.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.4,188,207 could not be confirmed.

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.5,104,612 as disclosed in Note 18 to the financial statements. The balance includes others payables of Kshs.2,660,580 out of which Kshs.1,223,952 are salary arrears outstanding for sixteen (16) months. In addition, the balance includes audit fees of Kshs.2,358,512, withholding tax of Kshs.43,300 and Sacco deductions of Kshs.784,802 which has been outstanding for several years. Management has not explained how they intend to clear these balances in view of losses made over the years.

In the circumstances, accuracy, completeness and full settlement of outstanding payables of Kshs.4,410,566 could not be confirmed.

3. Inconsistencies in Share Capital

The statement of financial position reflects share capital balance of Kshs.35,049,935 as disclosed in Note 14 to the financial statements. However, records maintained by the Registrar of Companies reflects a balance of Kshs.32,728,600 resulting to an

unreconciled difference of Kshs.2,321,335. In addition, the balance includes National Irrigation Authority (NIA) shareholding of Kshs.25,200,000 or 71.9% of the total shares but the Company's Board meeting minutes of 23 June, 2020 indicates 76.5% of 310,800 shares valued at Kshs.31.1 million. Further, the CR 12 to confirm the Company's directors and shareholders as at 30 June, 2022, was not provided for audit.

In the circumstances, the completeness, valuation and ownership of the share capital balance of Kshs.35,049,935 could not be confirmed.

4. Material Uncertainty to Going Concern

The statement of financial performance reflects a loss of Kshs.6,777,856 in comparison with loss of Kshs.5,861,208 for the comparative period leading to a decline in the retained earnings from negative Kshs.68,386,270 in 2020/2021 to negative Kshs.75,164,127 in the current period. This trend has continued since financial year 2016/2017 indicative that the Company may not be able to meet its obligations as and when they fall due.

In the circumstances, the Company's sustainability of processing and marketing milled white rice is heavily dependent on support by the Government and creditors.

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.

Emphasis of Matter

Failure to Prepare a Memorandum of Understanding

The Chairman's statement on page XVII to the financial statements indicates that the County Government of Kisumu agreed to purchase and install a new rice mill at the Company's premises. Physical inspection in the month of December, 2022 revealed that the installation of rice mill was ongoing and was expected to be completed in January, 2023. However, a Memorandum of Understanding between the Company and County Government of Kisumu was not provided for audit.

In the absence of the Memorandum of Understanding, it was not possible to confirm the ownership, rights and obligations related to the donated milling machine.

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 Matter

Unresolved Prior Year Audit Matters

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

Other Information

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Lack of Annual General Meeting

During the year under review, the Company did not hold an Annual General Meeting. This was contrary to Section 310(1) of the Companies Act, 2015 which states that 'every public company shall hold a general meeting as its annual general meeting within six months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period'.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of an Audit Committee

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 the Company's 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 April, 2023

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

	Note	2021/2022	2020-2021
		Kshs	Kshs
Revenues			
Revenue	4	4,239,348	18,404,119
Cost of sales	5	(7,196,333)	(18,439,079)
Gross Profit		(2,956,985)	(34,960)
Total Revenues		(2,956,985)	(34,960)
Operating Expenses			
Administration Costs	6	(3,268,581)	(4,748,659)
Other Expenses	7	(288,290)	(697,090)
Board Members Expenses	8	(264,000)	(380,500)
Total Operating Expenses	9	(3,820,871)	(5,826,249)
Profit/(Loss) before Taxation		(6,777,856)	(5,861,208)
Income Tax Expense/(Credit)			
Total Comprehensive Income For The Year		(6,777,856)	(5,861,208)

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2021/2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	11,971,562	2,656,100
Total Non-Current Assets		11,971,562	2,656,100
Current Assets			
Inventories	11	6,395,515	10,706,473
Trade and other receivables	12	4,188,207	4,743,060
Cash and Cash Equivalent	13	229,031	93,674
Total Current Assets		10,812,753	15,543,207
Total Assets		22,784,315	18,199,307
CAPITAL, FUNDS, RESERVES AND LIABILITIES			
Capital and Reserves			
Ordinary Share capital	14	35,049,935	35,049,935
Revaluation reserve	15	10,098,623	-
Retained earnings	16	(75,164,127)	(68,386,270)
Total Capital and Reserves		(30,015,569)	(33,336,335)
Non-Current Liabilities			
NIA Current Account	17	47,695,273	47,548,893
Total Non-Current Liabilities		47,695,273	47,548,893
Current Liabilities			
Trade and other payables	18	5,104,612	3,986,749
Total Current Liabilities		5,104,612	3,986,749
TOTAL EQUITY AND LIABILITIES		22,784,315	18,199,307

The financial statements were approved by the Board on 17/08/2022 and signed on its behalf by

Sign. 

Sign. 

Sign. 

ENG. CHARLES MUASYA

CPA. JEDIDAH N. ODUORI

HON. ENG. JOSHUA N. TORO

Ag. MANAGING DIRECTOR

CHIEF OFFICER FINANCE

BOARD CHAIRMAN

ICPAK M/NO. 29724

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

	Ordinary Share capital	Revaluation Reserve	Retained earnings	Total
	Kshs	Kshs	Kshs	Kshs
At July 1, 2020	35,049,935	-	(62,525,062)	(27,475,127)
Profit and Loss Account	-	-	(5,861,208)	(5,861,208)
At June 30, 2021	35,049,935	-	(68,386,270)	(33,336,335)
At July 1, 2021	35,049,935	10,098,623	(68,386,270)	(23,237,713)
Profit and Loss account	-	-	(6,777,856)	(6,777,856)
At June 30, 2022	35,049,935	10,098,623	(75,164,127)	(30,015,569)

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations			
Deficit/Profit	16	(6,777,856)	(5,861,208)
Depreciation	10	783,159	278,500
Increase (Decrease) in Inventories	11	4,310,958	717,563
Increase (Decrease) in Receivables	12	554,853	(709,300)
Increase (Decrease) in Payables	18	1,264,244	1,774,512
Net cash generated from/(used in) operating activities		135,357	(3,799,934)
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
Net cash generated from/(used in) investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net cash generated from/(used in) financing activities		-	-
Increase/ (Decrease) in Cash and Cash Equivalent	13	135,357	(3,799,934)
Cash and Cash Equivalent at the beginning of the year	13	93,674	3,893,608
Cash and Cash Equivalent at the end of the Year		229,031	93,674

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

Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
Revenue (A)						
Turnover	4,500,000	-	4,500,000	4,239,348	260,652	6%
TOTAL	4,500,000	-	4,500,000	4,239,3484	260,652	6%
Expenditure (B)						
Salaries & Wages Adm	1,250,000	-	1,250,000	1,242,800	7,200	1%
House allowance	157,000	-	157,000	156,000	1,000	1%
Casual wages	1,700,000	-	1,700,000	1,662,293	37,707	2%
Pension Fund Employer	210,000	-	210,000	203,932	6,068	3%
Medical allowance	24,999	-	24,999	24,999	-	0%
Travelling, Meals & Acc.	164,000	-	164,000	163,800	200	0%
Electricity – Factory	750,000	-	750,000	706,896	43,104	6%
Office equipment mtce	15,000	-	15,000	14,860	140	1%

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

Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
P & M mtce –Mills spares	330,000	-	330,000	327,164	2,836	1%
Fumigation	44,500	-	44,500	44,225	275	1%
Motor vehicle mtce	33,000	-	33,000	32,000	1,000	3%
Board expenses	270,000	-	270,000	264,000	6,000	2%
Printing & Stationery	50,000	-	50,000	48,145	1,855	4%
Subscription & Periodicals	42,500	-	42,500	41,600	900	2%
Telephones	31,000	-	31,000	30,000	1,000	3%
Bank charges	31,500	-	31,500	31,079	421	1%
Office tea	24,000	-	24,000	23,275	725	3%
Consumables	92,000	-	92,000	90,190	1,810	2%
Audit Fee	348,000	-	348,000	348,000	-	0%
NSSF	42,000	-	42,000	41,000	1,000	2%
Leave Allowance	22,000	-	22,000	21,627	373	2%
Paddy Purchases	4,500,000	-	4,500,000	4,441,065	58,935	1%

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

Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
Fuel & Lubricants	90,000	-	90,000	89,000	1,000	1%
Packing materials	60,000	-	60,000	58,915	1,085	2%
Depreciation	1,150,000	-	1,150,000	783,159	366,841	32%
NIB Admin & Account. Fee	130,000	-	130,000	127,180	2,820	2%
TOTAL EXPENDITURE (B)	11,561,499	-	11,561,499	11,017,204	544,295	5%
Surplus /Deficit (A- B)	(7,061,499)	-	(7,061,499)	(6,777,856)	(283,643)	
2. CAPITAL BUDGET FOR THE FINANCIAL YEAR 2021/2022						
DESCRIPTION	BUDGET FOR THE FY 2021/2022 (KSHS.)					
Mills Rehabilitation	3,000,000	-	-	-	3,000,000	
Purchase of computer	50,000	-	-	-	50,000	
Purchase of photocopier	120,000	-	-	-	120,000	
New office block	5,750,000	-	-	-	5,750,000	

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

Description	Original budget	Adjustment	Final budget	Actual comparable basis	Performance difference	% of utilization
	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	2021/2022 (KSHS.)	
Furniture purchases	150,000	-	-	-	150,000	
Total Capital Budget	9,070,000	-	-	-	9,070,000	

18. NOTES TO THE FINANCIAL STATEMENTS

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.

Cost of sales is calculated from the opening stocks plus purchase minus the closing stock.

We provide for bad and doubtful debts that are over 5 years.

The Company's principal activity is processing and marketing of milled white rice and the By-products 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, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (include any other applicable legislation), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

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

Title	Description
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS.

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

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

Title	Description
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

(iii) Early adoption of standards

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

3. Summary of Significant Accounting Policies

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

a) Revenue Recognition

- i) Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

The entity recognizes revenue when it transfers control of a product or service to a customer. Revenue from the sale of goods and services is recognised in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

- ii) Grants from National Government are recognised in the year in which the entity actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds. However, the Company does not receive any grants from the National Government.
- iii) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income is recognised in the income statement in the year in which the right to receive the payment is established.
- v) Rental income is recognised in the income statement as it accrue using the effective interest implicit in lease agreements.
- vi) Other income is recognised as it accrues.

b) In-kind Contributions

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

c) Property Plant and Equipment

All items of Property, Plant and Equipment are initially measured at cost. After initial recognition they are stated at historical cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers. Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to

profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement. Revaluation of buildings and land was carried out by Ministry of Lands and Physical Planning while revaluation for motor vehicles was done by Ministry of Transport, Infrastructure, Housing and Urban Development on 30 June 2021. The complete reports were received by 30 June 2021. The fixed assets register was updated on 1 July, 2021.

d) Depreciation and impairment of property, plant and equipment

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

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

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

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside

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

o) Borrowing costs

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

p) Cash and cash equivalents

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

q) Borrowings

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

interest accruing during the construction of a project is capitalized as part of the cost of the project.

r) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

s) Retirement benefit obligations

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

t) Provision for staff leave pay

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

u) Exchange rate differences

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

v) Budget information

The original budget for FY 2021-2022 was approved by the Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order

to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

w) Service concession arrangements

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

x) Comparative figures

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

y) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

z) Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

4. REVENUE

	2021/2022	2020/2021
	KSHS	KSHS
Basmati rice sales	435,030	333,370
Sindano rice sales	1,119,130	13,805,240
Bran meal sales	36,900	190,800
Broken rice sales	367,750	467,500
Chicken feed sales	29,250	112,000
Sindano paddy sales	-	720,000
Basmati paddy sales	350,000	-
Miscellaneous Income	9,000	18,000
Milling income	1,892,288	2,757,209
	4,239,348	18,404,119

5. COST OF PRODUCTION

	2021/2022	2020/2021
	KSHS	KSHS
Sindano paddy to mills	2,774,940	12,214,041
Basmati Paddy to mills	1,666,125	1,089,750
Salaries & Wages - Casuals	1,662,293	2,701,200
Electricity	706,896	1,783,079
Plant & Machinery(Factory) Mtce	327,164	535,233
Depreciation - Tools& w/shop	-	1,337
Uniforms & Protective Clothing	-	13,000
Packing Materials	58,915	101,438
	7,196,333	18,439,079

6. ADMINSTRATIVE EXPENSES

	2021/2022	2020/2021
	KSHS	KSHS
Staff costs		
Salaries and Wages -Regular	1,242,800	1,443,998
NSSF	41,000	58,200

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Pension Fund Employer/Gratuity	203,932	739,071
House Allowance	156,000	156,000
Leave & Transfer Allowance	21,627	23,076
Medical expenses (out-patient)	24,999	24,999
sub-total	1,690,358	2,445,344
Administrative costs		
Travelling and entertainment	163,800	642,270
Legal & professional fee	-	-
Audit fees	348,000	348,000
Printing and Stationery	48,145	52,315
NIA Admin. & Accountancy fee	127,180	552,124
Dep. -Office Machinery & Furn.	-	3,704
Buildings Mtce.- Offices	-	108,500
Depreciation- Buildings	456,569	273,459
Motor Vehicles Maintenance	32,000	154,623
Motor Vehicles Depreciation	326,590	-
Telephone	30,000	105,500
Computer and Accessories MTCE	-	33,200
Office equipment mtce	14,860	-
Bank Charges	31,079	29,620
sub-total	1,578,223	2,303,315
Total	3,268,581	4,748,659

7. OTHER EXPENSES

	2021/2022	2020/2021
	KSHS	KSHS
Office Tea	23,275	14,760
Subscriptions & periodicals	41,600	42,000
Consumables	90,190	383,160
Fumigation	44,225	25,000
Diesel	89,000	223,400
Oils & Greases	-	8,390
Postages	-	380
Total	288,290	697,090

8. BOARD MEMBERS EXPENSES

	2021/2022	2020/2021
	(KSHS)	(KSHS)
Sitting Allowance	70,000	204,000
Accomodation allowance	39,000	-
Travel Expenses	42,000	42,000
Lunch Allowance	91,000	110,500
Airtime Allowance	22,000	24,000
Total	264,000	380,500

9. TOTAL OPERATING EXPENSES

	2021/2022	2020/2021
	(KSHS)	(KSHS)
Administration Expenses	3,268,581	4,748,659
Other Expenses	288,290	697,090
Board Members	264,000	380,500
TOTAL	3,820,871	5,826,249

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10. PROPERTY, PLANT & EQUIPMENT

	Furniture & equipment	Buildings	Plant machinery &	Motor vehicles	Tools equipment	Workshop machinery &	Total
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
COST:							
AS AT 01.07.2020	447,988	6,836,487	29,994,849	3,229,080	1,230,018	678,735	42,417,157
ADDITIONAL COST	-	-	-	-	-	-	-
AS AT 30.06.2021	447,988	6,836,487	29,994,849	3,229,080	1,230,018	678,735	42,417,157.00
DEPRECIATION:							
AS AT 01.07.2020	444,283	3,906,930	29,994,849	3,229,080	1,230,018	677,398	39,482,557
CHARGE FOR THE YEAR	3,704	273,459	-	-	-	1,337	278,500
AS AT 30.06.2021	447,987	4,180,389	29,994,849	3,229,080	1,230,018	678,735	39,761,057
N.B.V 30.06.2021	1	2,656,098	-	-	-	31,248	2,656,099
COST:							
AS AT 01.07.2021	447,988	6,836,487	29,994,849	3,229,080	1,230,018	678,735	42,417,157
REVALUATION	-	8,788,623	-	1,310,000	-	-	10,098,623
AS AT 30.06.2022	447,988	15,625,110	29,994,849	4,539,080	1,230,018	678,735	52,515,780
DEPRECIATION:							
AS AT 01.07.2021	447,987	4,180,389	29,994,849	3,229,079	1,230,018	678,735	39,761,057
CHARGE FOR THE YEAR	-	456,569	-	326,590	-	-	783,159
AS AT 30.06.2022	447,987	4,636,958	29,994,849	3,555,669	1,230,018	678,735	40,544,216
NET BOOK VALUE:							
AS AT 30.06.2022	1	10,988,151.60	-	983,411.00	-	-	11,971,562
AS AT 30.06.2021	1	2,656,098	-	-	-	-	2,656,099

11. INVENTORIES

	2021/2022	2020/2021
	KSHS	KSHS
Factory Spares	998,887	1,116,991
General store	70,811	67,785
Sindano Paddy Stocks	-	1,620,000
Basmati Paddy stocks	4,938,375	6,604,500
Packing Materials	194,442	218,057
Milled Rice	191,250	698,140
By products stores	1,750	381,000
	6,395,515	10,706,473

12. TRADE AND OTHER RECEIVABLES

	2021/2022	2020/2021
	KSHS	KSHS
Staff imprest	3,380	22,980
Salary Advance	26,525	30,258
Trade & Other Receivables	4,175,923	4,707,443
TOTAL	4,205,828	4,760,681
Less provision for doubtful debts	(17,621)	(17,621)
	4,188,207	4,743,060

13. CASH & CASH BALANCES

	2021/2022	2020/2021
	KSHS	KSHS
KCB Nairobi - Kip.Hse	42,155	50,675
KCB Kisumu-Kisumu	186,572	40,964
Cash in Hand	304	2,035
	229,031	93,674

14. SHARE CAPITAL

	2021/2022	2020/2021
	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 Ltd	4,910,072	4,910,072
West Kano Farmers Co-op. Society Ltd	2,392,984	2,392,984
Magombe Multi-Purpose Co-op. Society Ltd	2,546,879	2,546,879
	35,049,935	35,049,935

15. REVALUATION RESERVE

	2021/2022	2020/2021
	KSHS	KSHS
Revaluation of houses	8,788,623	-
Revaluation of Pickup KBP 447A	1,310,000	-
Net book Value	10,098,623	-

16. RETAINED EARNINGS/(LOSS)

	2021/2022	2020/2021
	KSHS	KSHS
Balance b/f	(68,386,270)	(62,525,062)
Excess/(Deficit) for the year	(6,777,856)	(5,861,208)
Balance c/f	(75,164,127)	(68,386,270)

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

17. NIA CURRENT ACCOUNT

	2021/2022	2020/2021
	KSHS	KSHS
NIA current Account	47,695,273	47,548,893
	47,695,273	47,548,893

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

18. TRADE AND OTHER PAYABLES

	2021/2022	2020/2021
	KSHS	KSHS
Audit fees provision	2,358,512	2,010,512
Trade	85,520	85,520
Others	2,660,580	1,890,717
	5,104,612	3,986,749

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

19. RELATED PARTY TRANSACTIONS

Related parties include Key Management and Board of Directors.

- 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.. as shown in note 14.

20. ORDINARY SHARE CAPITAL

	2021/2022	2020/2021
	Kshs	Kshs
Authorized:		
420,000 ordinary shares of KSh.100/= par value each	42,000,000	42,000,000
Issued and fully paid:		
350,499 ordinary shares of KSh.100/= par value each	35,049,935	35,049,935

21. 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.

22. 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.

23. RETAINED EARNINGS

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

TRADE RECEIVABLES

	2021/2022	2020/2021
	Ksh.	Ksh.
Gross trade receivables	4,205,828	4,707,443
Provision for doubtful receivables	(17,621)	(17,621)
Net trade receivables	4,188,207	4,689,822
At June 30, 2022 the ageing analysis of the gross trade receivables was as follows:		

Less than 30 days	250,000	-
Between 30 and 60 days	75,140	720,000
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	3,863,067	3,969,822
Total	4,188,207	4,689,822

24. FINANCIAL RISK MANAGEMENT

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

The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such

risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers

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

i) Credit risk

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

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

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

ii) Liquidity Risk Management

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

iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

a) Foreign currency risk

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

Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing

exchange rate. The Company did not have any Foreign Currency Risk during the year under review.

b) Interest rate risk

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

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

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

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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

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

i) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with

significant unobservable components. This hierarchy requires the use of observable market data when available. The entity considers relevant and observable market prices in its valuations where possible.

Financial instruments not measured at fair value

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

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	10,098,622.60	-
Retained earnings	(75,715,307)	(68,401,270)
Capital reserve	35,049,935	35,049,935
Total funds	(30,566,749)	(33,351,335)
Total borrowings	-	-
Less: cash and bank balances	229,031	93,674
Net debt/(excess cash and cash equivalents)	(30,337,718)	(33,257,661)
Gearing	-	-

Incorporation

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

Events After the Reporting Period

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

Currency

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

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
1. Long Outstanding Trade and Other Payables	The statements of financial position reflected trade and other payables balance of Kshs.3,986,749 and as disclosed in Note 17 to the financial statements. However, this balance include an amount of Kshs.1,748,032 which has been outstanding for more than one year. The management has not explained how they intend to clear the outstanding payables considering that the Company has been making losses continuously. In the circumstances, delay in making payments to creditors expose the Company to avoidable interests and penalties.	The balance of Ksh.1,748,032 refers to staff liabilities for the financial year under review. To date, the Company has been able to settle the arrears for July & August 2021. The management has also put measures on how to settle the remaining balance within the current financial year 2021/2022.	Management	Not Resolved	30/06/2023
2. Long outstanding Trade and Other Receivables	The statements of financial position and the corresponding Note 12 to the financial statements reflects trade and other receivables of Kshs.4,743,060. This balance includes receivables of Kshs.3,880,887 which have been outstanding for a period between one year to seven (1-7) years. Amongst the debtors with huge balances are three (3) Government institutions namely: (Kabianga University Kshs.1,300,000; County Government of Kisumu Kshs.816,638 and Kenyatta University Kshs.416,440) all	"The Management is following up with Kabianga University; County Government of Kisumu and Kenyatta University for the recovery of Kshs.1,300,000, Kshs.816,638 and Kshs.416,440 respectively. The other debtors	Management	Not resolved	30/06/2023

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	totaling to kshs.2,533,077 or 65% of the total debtors. No records in support of the existing debts was provided for audit.		are also being pursued by the management.		30/06/2023
3. Inconsistencies in Provision for Bad Debts	<p>The statement of the financial position reflects trade and other receivables of Kshs.4,743,060 which is net of provision for bad debts of Kshs.17,621 (2020 Kshs.17,621) and as disclosed in Note 12 to the financial statements .However, management indicated in Note 1(v) to the financial statements that the Company provides for bad and doubtful debts that are over five years. It was not clear whether Management took into consideration Note 1(v) when making provisions for bad debts of Kshs. 17,621 which is similar to the provision made in the financial year 2019/20 despite the change in total receivables before provision from Kshs. 4,051,381 to Ksh. 4,760,681. In the circumstance, the accuracy,completeness and recoverability of trade and other receivable balance of Ksh. 4,760,681 as at 30 June, 2021 could not be confirmed.</p>		<p>The management has not revised provision for bad debts as it is in consultation with the debtors who have promised to settle their debts within the current financial year 2022/2023.</p>	Management	Not resolved
4. Inaccuracies in Share capital Ownership and Holding	<p>"The statement of financial position 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, no documentary evidence was availed by Management, for audit verification. Further, the National Irrigation Authority (NIA) owns shares valued at Kshs.25,200,000 representing 71.9% of the total shares of the Company, as disclosed in Note 14 of the financial statements. However, according to minutes of the Company's Board meeting held on 23 June, 2020, the NIA's shareholding is 76.5% of the Company's 310,800 shares valued at Kshs.31.1 million. Further, the CR 12, the official confirmation by the Registrar of Companies of the directors and shareholders of the Company, as at 30 June, 2021, was not availed for audit verification. In the absence of the CR 12, it was not possible to confirm the shareholding of the Company and the completeness,</p>		<p>The figure of Kshs. 35,049,935 differs from that available at the Registrar of Companies because of the payments which were made by the farmers but the changes have not been effected at the registrar's office. The management is pursuing with the office of the Registra to ensure that the changes are effected with the Registra of Companies.</p>	Management	Not resolved

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	value and shareholding of the share capital balance of Kshs.35,049,935 as at 30 June, 2021				
	"				
5. Lack of Ownership Documents	<p>"The statement of financial position reflected property, plant and equipment balance of Kshs.2,656,098 which, as disclosed in Note 10 to the financial statements, related to buildings. As reported in the prior year audit report, this balance excludes undetermined value of land without title deeds on which the Company's building is located in Ahero, Kisumu County. In addition, the building that hosts the Company's offices has cracks on the walls and was condemned by health officials in 2016.</p> <p>"</p>	Management	Resolved	30/06/2022	
6. Fully Depreciated Assets	<p>The property, plant and equipment schedule as disclosed in Note 10 to the financial statement reflects three (3) classes of assets namely: Plant and Machinery, Motor vehicles and Tools and Equipment which are fully depreciated since 30 June, 2019 and had Nil net book values as at 30 June 2021. However, the Management had not valued the assets although they were still in use. Under the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.2, 656,098 as at 30 June, 2021 could not be confirmed.</p> <p>The statement of profit or loss and other comprehensive income reflects a loss of Kshs.5,861,208 (2020: Kshs.7,535,228), for the year ended 30 June, 2021. Further, the statement of financial position reflects negative retained earnings of Kshs.68,386,270 (2020: negative balance of Kshs.62,525,062), as at 30 June, 2021. These conditions, which have been reported consistently from 2016/2017 financial year, indicates that a material uncertainty exists, which may cast significant doubt on the Company's ability</p>	Management	Resolved	30/06/2022	
7. Material Uncertainty in Relation to Going Concern	<p>In the 39th Western Kenya Rice Mills directors' meeting held on 30th June 2021, the business plan on how to revive the mills was presented to the Board of directors for discussion and the way forward. Once approved by the board, the management will</p>	Management	Not resolved	30/06/2023	

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	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. In the circumstance, it was not possible to confirm if the Company is able to meet its financial obligations as and when they fall due.	then adopt it for implementation.		
8. High Cost of Production	The statement of profit or loss and other comprehensive income reflects revenue of Kshs.18,404,119 and a cost of sales of Kshs.18,439,079 resulting to gross loss of Kshs.(34,960). The high cost of production is attributed to high cost of paddy as a result of a Presidential directive that capped the price of paddy and milled rice in the year 2019/2020 and high cost of running an inefficient old mill. However, Management did not state the strategies they have taken to reduce the high cost of production to save the Company from liquidation. In the circumstances, the high cost of production will persist unless drastic action is taken to reverse the trend.	The high cost of production has basically been due to the high cost of paddy due to the Presidential directive and the high cost of running the old mill which is no longer efficient. In order to reduce the cost of production, the management has cut down on labor and other administrative costs.	Management	Not Resolved 30/06/2023
9. Lack of Annual General Meeting	The Company did not hold an Annual General Meeting during the year under review, contrary to requirement under the Companies Act, 2015, Section 310 (1) which states that 'every public company shall hold a general meeting as its annual general meeting within six months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period. In the circumstance, the Management was in breach of the Act.	The Company was unable to hold an Annual General Meeting as the management had not received the audited accounts running for financial years. That is, 2018/2019 and 2019/2020.	Management	Not Resolved 30/06/2023
10. Lack of an Audit Committee	Review of effectiveness of internal controls revealed that the Company does not have an audit committee. Although the Company uses the internal audit function for National Irrigation Authority, there is no audit committee to review the work of the	"The Company does not have an audit committee due to the lean composition of the Board. This comprises of: 1) The Chairman.	Management	Not Resolved 30/06/2023

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	<p>internal auditor and assess the efficiency and effectiveness of its operational and risk management processes. Consequently, it was not possible to confirm the effectiveness of internal controls and risk management of the Company.</p>	<p>2) Three National Government representatives. Namely; i. Alternate Representative CS National Treasury. ii. Alternate Representative to the PS Ministry of Water, Sanitation & Irrigation. iii. Representative of the office of the Inspectorate to State Corporations as an ex-officio member. 3) The Managing Director. 4) The Chairmen of Ahero Multi-Purpose Co-op Society, West Kano Farmers Co-op Society and Magombe Multi-Purpose Co-op Society. Due to this lean composition, audit matters are handled by the full board. "</p>			
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ENG. CHARLES MUASYA

Ag. MANAGING DIRECTOR.

Sign.....


DATE.....17/07/2022.....



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)	Consolidated in these financial statements (Yes/No)
1						
2						

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

APPENDIX III: INTER-ENTITY TRANSFERS

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

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

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

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