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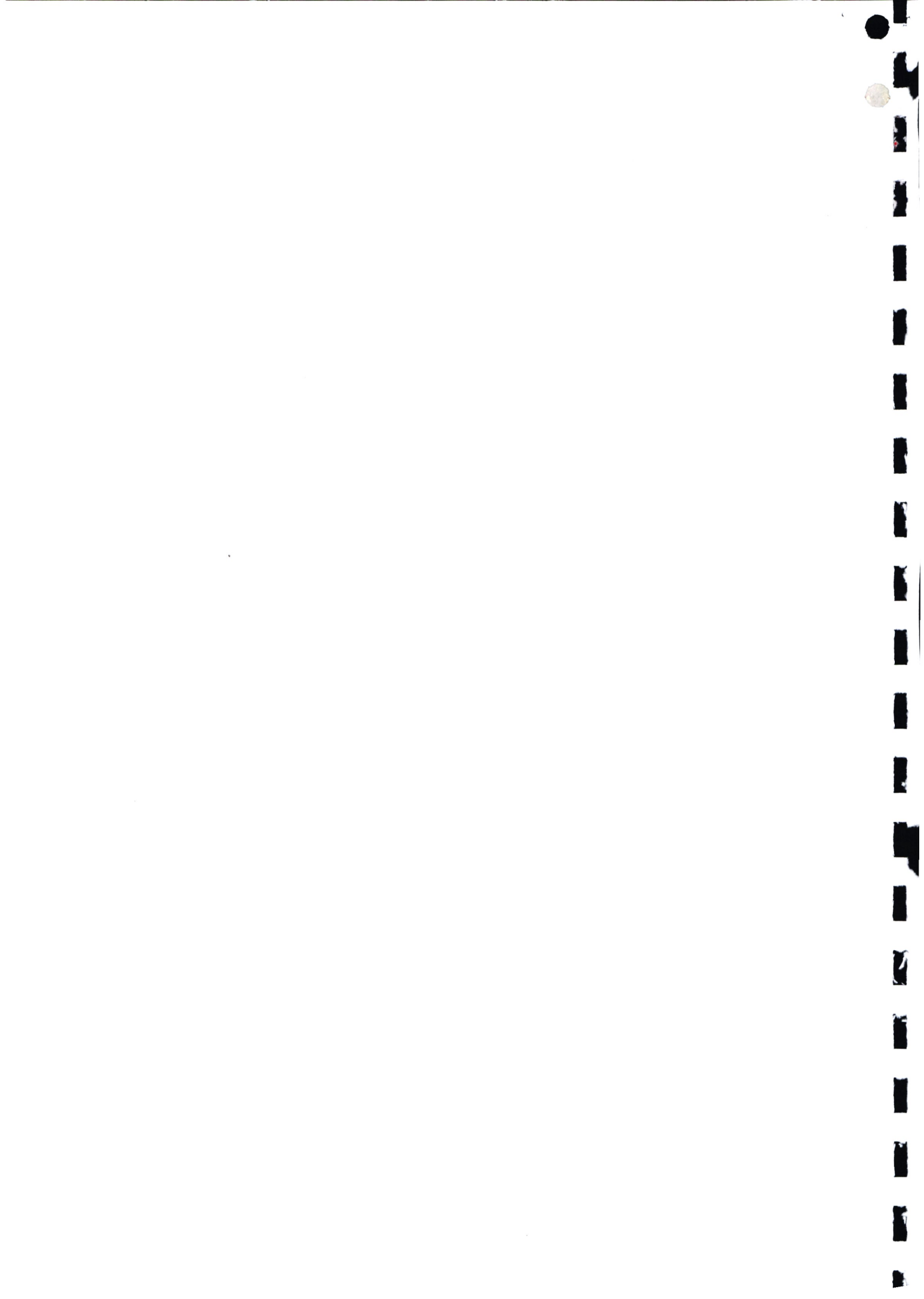
THE AUDITOR-GENERAL

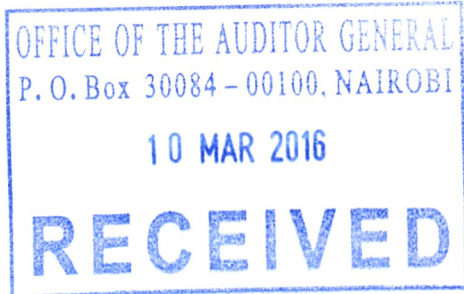


ON

THE FINANCIAL STATEMENTS OF
MWEA RICE MILLS LIMITED

FOR THE YEAR
ENDED 30 JUNE 2015





MWEA RICE MILLS LIMITED

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

30TH JUNE 2015

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COMPANY PROFILE

BACKGROUND

Mwea Rice Mills Ltd. (MRM) is a limited liability company owned by National Irrigation Board (55%) and the Mwea Rice Growers Multipurpose Co-operative Society Limited (45%).

The major activity of MRM Ltd is the milling and storage of paddy from the Mwea Irrigation Scheme. The company has four milling units with an installed capacity of 15 tonnes per hour which is sufficient to handle the entire paddy produced in Mwea Irrigation settlement and adjoining regions. The company also boasts of long experience in processing and marketing of rice – products.

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

BOARD'S PROFILE

Dr. Sammy Letema – Chairman



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

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

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

Eng. Daniel K. Barasa, HSC, 54 – General Manager



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

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

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

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

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

Mr. Pius Njogu Kathuri, 43 – Non Executive Director



Mr. Pius Njogu Kathuri joined the company's Board in May 2008 he has since been a Non Executive Director of the Company's Board of Directors. He sits on the Company's Board by virtue of being a Director of Rice Growers Multi-Purpose Cooperative (MRGM) the other shareholder, which is the umbrella body of Mwea Farmers with shares in MRM Limited.

He is a trained teacher by profession. He joined the MRGM Cooperative Board in March 2003. In 2005 he was elected Chairman of the MRGM Cooperative Board.

Mr. Njogu brings vast knowledge, experience and leadership gained from the Expansive Mwea Rice Growing area. He occupies the position in the Board by virtue of his position as a Director of the Mwea Rice Growers Multi-Purpose Cooperative Society (MRGM).

Mr. Harisson Mutugi Mathindi, 61 – Non Executive Director



Mr. Harisson Mutugi Mathindi joined the Company's Board in May 2008. He sits on the Board by virtue of being a Director of rice Growers Multi-Purpose Cooperative Society (MRGM) director.

He is a long serving Director of MRGM having joined the society as Vice Chairman in March 2000, a position he continues to hold up to date. He previously worked with the Ministry of Health from 1973 to 1998. Mr. Mutugi brings vast knowledge, experience and leadership gained from the Expansive Mwea Rice Growing region.

He occupies the position in the board by virtue of his position as a Vice Chairman of the MRGM, which is the other shareholder of MRM Limited. His current occupation is commercial farming.

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

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

Mr. Jackson W.Mwaura –Mr. J. Mwaura has also worked as Research Officer, Ministry of Agriculture, Senior Loans Officer, Agricultural Finance Corporation, Assistant branch manager,(AFC), Branch manager (AFC),Agricultural Development Manager, East Africa Industries (EAI), Field Sales Representative, (EAI), Customer Service manager (EAI), Customer Service manager Tanzaniaa, Area Sales manager –Uniliver Kenya. Currently, he is also a director of Tropical Fresh Enterprises Ltd and Functions Production, Processing and Marketing of Agricultural Produce for Export. Mr. Mwaura has a leading edge knowledge in the agricultural production, processing and marketing.

FIDUCIARY OVERSIGHT ARRANGEMENTS

AUDITORS

Kenya National Audit Office
P.O Box 30084-00100
Nairobi, Kenya

LAWYERS

Liliani G. Kimani
Agip House, 5th Floor
Nairobi

BANKERS

Barclays Bank of Kenya
Queensway house
P.O. Box 30011
Nairobi.

REGISTERED OFFICE

Head Office
Unyunyuzi house- building
Lenana Road
P.O.Box 30372-00100

FACTORY

Wanguru
P.o.Box 80
WANGURU

SECRETARIAT MANAGEMENT

The Secretariat team comprises of the General Manager and top management as follows:

Eng. Daniel K. Barasa, HSC, 54 – General Manager



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

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

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

Programs and Human Resources in the country.

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

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

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



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

CORPORATE GOVERNANCE STATEMENT

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

At Mwea 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 MRM Ltd and conducts the business and operations of MRM Ltd with integrity and in accordance with generally accepted corporate practices, in a manner based on transparency, accountability and responsibility.

STATEMENT OF DIRECTOR'S RESPONSIBILITY

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

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

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

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

The Financial Statements have been signed on its behalf by:



DR. SAMMY LETEMA
CHAIRMAN

DATE 09/03/16.....



ENG. D. K. BARASA
MANAGING DIRECTOR

DATE 09/03/16.....

THE FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The directors submit this report together with the financial statements for the year ended 30th June 2015.

AUDITORS

Kenya National Audit Office audits the accounts of MRM


General Manager

Date; 09/03/16

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MWEA RICE MILLS LIMITED FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Mwea Rice Mills Limited set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such 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.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

As previously reported, the property, plant and equipment figure of Kshs.47,824,488 as at 30 June 2015 includes Kshs.9,156,781 relating to buildings which are fully depreciated and have not been revalued in accordance with paragraph 31 of the International Accounting Standard (IAS) No.16 which provides that revaluations shall be carried out with sufficient regularity to ensure that the carrying amounts does not differ materially from that which would be determined using fair value at the end of the reporting period. Paragraph 34 of the standard further provides that where some items of property, plant and equipment experiences significant and volatile changes in fair value, annual valuations need to be carried out.

Consequently, in light of the above paragraphs, it has not been possible to confirm the carrying values as stated in the financial statements reflect the fair values of properties as at June 2015.

2. Investment Property

- i. As disclosed in Note 3 to the financial statements, the investment property are carried in the financial statements at amounts last revalued in 2009 contrary to the provisions of the International Accounting Standard (IAS) No.16. The standard requires an entity that elects to use revaluation model as the measurement model of its fixed assets to ensure that the same are revalued with regularity as to reflect the market prices at the end of each reporting period. Consequently, it has not been possible to confirm whether the carrying values of Kshs.124,891,330 as stated in the financial statements reflect the fair values of the investment property as at 30 June 2015.
- ii. As previously reported, Note 3 to the accounts reflects a figure of Kshs.124,891,330 relating to investments. Audit verification revealed that the figure relates to residential buildings owned by the Company as at 30 June 2015. However, the management has not availed title deeds to confirm

ownership of the buildings. It has not been possible to verify the ownership of the said investment property.

3. Board Meetings

The Company did not hold any Board meeting during the year under review contrary to the provisions of Section 8 of the State Corporations Act, Cap 446 of the Laws of Kenya which requires a minimum of four (4) meetings in a financial year. In the absence of Board meetings, it has not been clear how the affairs of the Company were managed during the year ended 30 June 2015.

4. Trade and Other Receivables

As previously reported, the trade and other receivables includes fixed deposits in Continental Credit Finance (in liquidation) of Kshs.16,815,053. Although the Company has made a full provision for the balance whose recoverability remains doubtful, no explanations has been provided on the actions being taken to ensure recovery of the amounts from the receiver manager.

5. Trade and Other Payables

As previously reported, trade and other payables balance of Kshs.59,988,748 as disclosed under note 13 to the accounts include a Government proposed Levy balance of Kshs.22,037,370 that has remained unsettled for a long period of time. No documentary evidence has been provided to support this liability.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Mwea Rice Mills Limited as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Accounting Standards (IFRS) and comply with the Companies Act, Cap 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit; and,
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,

iii. The Company's statement of financial position is in agreement with the books of account.





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

Nairobi

29 March 2016

MWEA RICE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

ASSETS	NOTES	2015 KSHS	2014 KSHS
<u>NON CURRENT ASSETS</u>			
Property, plant & Equipment	2	47,824,488	16,651,142
WIP	6a	-	36,255,277
Investment Property	3	124,891,330	132,050,097
		<u>172,715,818</u>	<u>184,956,515</u>
<u>CURRENT ASSETS</u>			
Inventories	4	70,706,765	110,282,868
Trade and Other Receivables	5	6,935,352	5,952,060
Cash and Cash Equivalent	6	48,787,692	8,130,530
Kenya Revenue Authority	7	1,952,021	1,952,021
		<u>128,381,830</u>	<u>126,317,479</u>
TOTAL ASSETS		<u>301,097,648</u>	<u>311,273,994</u>
<u>CAPITAL FUNDS, RESERVES & LIABILITIES</u>			
Share Capital	8	5,000,000	5,000,000
Capital Fund for Mill Rehabilitation	9	52,610,534	52,610,534
General Reserve	10	8,700,000	8,700,000
Revaluation Reserve	11	124,573,036	131,158,394
Accumulated Profit/(Loss)	12	50,225,330	48,953,799
		<u>241,108,900</u>	<u>246,422,727</u>
<u>CURRENT LIABILITIES</u>			
Trade and Other Payables	13	59,988,748	64,851,266
		<u>59,988,748</u>	<u>64,851,266</u>
TOTAL EQUITY & LIABILITIES		<u>301,097,648</u>	<u>311,273,994</u>
 ENG. D.K. BARASA MANAGING DIRECTOR		 DR. SAMMY LETEMA CHAIRMAN	
DATE <u>09/03/16</u>		DATE <u>09/03/16</u>	

MWEA RICE MILLS LIMITED
STATEMENT OF COPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	2015 KSHS	2014 KSHS
Turnover	14	76,614,381	10,519,358
Cost of sales	15	(74,114,249)	(21,027,168)
<hr/>			
Gross profit/(Loss)		2,500,132	(10,507,810)
Other Income	16	8,098,922	7,409,860
Investment income	17	7,258,746	7,695,738
Administrative expenses	18	(10,020,230)	(8,887,821)
Other expenses	19	(5,846,725)	(2,983,721)
Finance costs	20	(174,373)	(147,747)
Profit (loss) before Taxation		1,816,473	(7,994,911)
Tax provision (30%)		544,942	-
Profit (Loss) for the year		<u>1,271,531</u>	<u>(7,994,911)</u>

MWEA RICE MILLS LTD

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE, 2015

	2015 KSHS	2014 KSHS
<u>Operating Activities</u>		
Surplus	1,271,530	(7,994,911)
Adjustment for non cash items		
Depreciation	5,715,331	2,090,283
Gain on disposal	-	(149,977)
Prior year adjustment	-	(4,022,987)
Operating profit before working capital changes	6,986,861	(10,077,592)
<u>Working Capital changes</u>		
- (Increase)/Decrease in Inventories	39,576,103	(6,093,024)
- (Increase)/Decrease in Receivables	(983,292)	6,378,158
- Increase/(Decrease) in Payables	(4,862,518)	21,080,431
- Increase/(Decrease) WKRMcurrent a/c	-	-
Net cash from operating activities	40,717,154	11,287,973
<u>Investing activities</u>		
Proceeds on disposal	-	150,000
Additions on (par-boiling plant)	(59,992)	(36,282,395)
Net Cash from investing activities	(59,992)	(36,132,395)
<u>Financing activities</u>		
Net Cash from financing activities		
Net increase/(decrease) in Cash & Equivalent fi year	40,657,162	(24,844,422)
Cash & Cash Equivalent at the beginning of the year	8,130,530	32,974,951
Cash & cash equivalent at the end of the year	48,787,692	8,130,529

MWEA RICE MILLS LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Share Capital Kshs	General Reserves Kshs	Accumulated Profits	Capital Fund Kshs	Revaluation Reserves Kshs	Total Kshs
As at 30 June 2013	5,000,000	8,700,000	60,971,697	52,610,534	137,743,752	265,025,983
As at 1st July 2013	5,000,000	8,700,000	60,971,697	52,610,534	137,743,752	265,025,983
Proposed div. written back						
Profit and Loss account Prior year adj Amortization			- 7,994,911 4,022,987			- 7,994,911 4,022,987
At 30 June 2014	5,000,000	8,700,000	48,953,799	52,610,534	131,158,394	246,422,727
As At 1 July 2014	5,000,000	8,700,000	48,953,799	52,610,534	131,158,394	246,422,727
Profit and Loss account Prior year adj Amortization			1,271,531		- 6,585,358	5,313,827
As at 30 June 2015	5,000,000	8,700,000	50,225,330	52,610,534	124,573,036	241,108,900

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1 ACCOUNTING POLICIES

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

(a) Statement of compliance and basis of preparation

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

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

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

(b) Revenue recognition

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

Revenue from the sale of goods and services is recognised in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method. Though the company did not receive such income during the year under audit.

Dividend income is recognised in the income statement in the year in which the right to receive the payment is established. The company did not receive such income during the year under audit.

Rental income is recognised in the income statement as it accrue.

Other income is recognised as it accrues.

© Intangible assets

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

(d) Investment property

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

(e) **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.

(f) **Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

(g) **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.

(h) **Retirement benefit obligations**

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

(i) **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, 2015.

(j) **Significant judgments and estimates policy**

There were no significant judgements and estimates made during the financial year ended 30th June 2015.

(k) **Financial Risk management objectives and policies**

i **Market risk**

Market risk is the risk that the fair value of financial instruments will fluctuate because of changes in the market such as price fluctuations and changes in exchange rate. However, the company was not exposed to this risk during the year under audit.

ii **Credit risk**

Credit risk is the risk that a customer will not meet his/her financial instrument or customer contract, leading to a financial loss.

The company was not exposed to this risk during the year under audit.

iii **Liquidity risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations when they fall due. The company limits this risk by conservative use of loan capital.

(l) 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 or revaluation value less depreciation or amortisation.

There is no depreciation charged on the sewerage disposal system. Depreciation or amortisation on the other assets is calculated on reducing balance using the following rates:-

Buildings	4% p.a	
Plant and Machinery	12.5% p.a	
Office Equipment and Furniture	12.5% p.a	
Motor Vehicles	25% p.a	
Workshop Tools	33.5% p.a	
Investments (Leader Hse & Maisonnettes)	4% p.a	(straight line)

(m) Inventories

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

(n) Cash and cash equivalents

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

MWEA RICE MILLS LTD

MWEA RICE MILLS LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2015

2. PROPERTY, PLANT & EQUIPMENT

	BUILDINGS KSHS.	PLANT & MACHINERY KSHS.	WORKSHOP TOOLS KSHS.	SEWERAGE DISPOSAL KSHS.	MOTOR VEHICLES KSHS.	FURNITURE & EQUIPMENT KSHS.	LAND KSHS.	TOTAL KSHS.
COST:								
AS AT 01.07.2013	13,016,330	121,571,863	202,461	2,080,313	4,050,602	1,280,904	280,000	142,482,473
ADDITIONS	-	-	-	-	(176,490)	27,118	-	27,118.00
DISPOSAL	-	-	-	-	-	-	-	(176,490)
AS AT 30.06.2013	13,016,330	121,571,863	202,461	2,080,313	3,874,112	1,308,022	280,000	142,333,101
DEPRECIATION:								
AS AT 01.07.2013	9,156,781	110,583,643	202,429	-	3,285,892	1,112,807	-	124,341,552
CHARGE FOR THE YEAR	154,382	1,219,111	-	-	214,347	21,860	-	1,609,699
ADJUSTMENTS	-	-	-	-	(92,825)	-	-	(92,825)
DISPOSAL	-	-	-	-	(176,467)	-	-	(176,467)
AS AT 30.06.2014	9,311,163	111,802,754	202,429	2,080,313	3,323,772	1,134,667	280,000	125,681,959
N.B.V 30.06.2014	3,705,167	9,769,109	32	2,080,313	550,340	173,355	280,000	16,651,142
COST:								
AS AT 01.07.2014	13,016,330	121,571,863	202,461	2,080,313	3,874,112	1,308,022	280,000	142,333,101
ADDITIONS	-	36,315,268	-	-	-	-	-	36,315,268.00
DISPOSAL	-	-	-	-	-	-	-	-
AS AT 30.06.2015	13,016,330	157,887,131	202,461	2,080,313	3,874,112	1,308,022	280,000	178,648,369
DEPRECIATION:								
AS AT 01.07.2014	9,311,163	111,802,754	202,429	-	3,323,772	1,134,667	-	125,681,959
CHARGE FOR THE YEAR	367,678	4,591,773	4.00	-	160,798	21,669	-	5,141,922
AS AT 30.06.2015	9,678,841	116,394,527	202,433	-	3,484,570	1,156,336	-	130,823,881
NET BOOK VALUE:								
AS AT 30.06.2015	3,337,489	41,492,604	28	2,080,313	482,367	151,686	280,000	47,824,487
AS AT 30.06.2014	3,705,167	9,769,109	32	2,080,313	764,710	168,097	280,000	16,651,142

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

3 INVESTMENT PROPERTY

	2015	2014
	KSHS	KSHS
Cost		
As at 1st July 2014	18,866,036	18,866,036
Revaluation	164,633,964	164,633,964.00
As at 1st July 2014	183,500,000	183,500,000
Depreciation		
As at 1st July 2014	44,291,136	37,132,369
Revaluation	6,585,358	6,585,358
Charge for the year	573,409	573,409
As at 30 th June 2014	51,449,903	44,291,136
N.B.V as at 30th June 2014	132,050,097	139,208,864
Cost		
As at 1st July 2014	183,500,000	183,500,000
Revaluation	-	-
As at 30 th June 2014	183,500,000	183,500,000
Depreciation		
As at 1st July 2014	51,449,903	44,291,136
Revaluation	6,585,358	6,585,358
Charge for the year	573,409	573,409
As at 30 th June 2015	58,608,670	51,449,903
N.B.V as at 30th June 2015	124,891,330	132,050,097

Revaluation of Maisonettes & Leader house was done in June 2009 by the office of Commissioner of Lands

4 INVENTORIES

	2015	2014
	KSHS	KSHS
Spare parts	16,564,519	17,053,989
Bags and packing materials	3,190,162	5,393,349
General store including stationery	154,252	221,100
Rice paddy	48,808,428	85,644,750
Milled Rice	1,941,200	1,969,680
Stationery Store	48,204	-
	70,706,765	110,282,868

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	KSHS	KSHS
5 TRADE AND OTHER RECEIVABLES		
National Cereals & Produce Board	-	2,045,559
Trade debtors	6,591,377	2,975,788
Staff debtors	281,767	329,458
Interest from Bank receivable	3,606,821	3,606,821
Refundable deposits	80,920	80,920
Continental Credit Finance (under receivership)	16,815,053	16,815,053
Stock Loss	-	539,047
	<u>27,375,938</u>	<u>26,392,646</u>
 LESS PROVISION FOR DOUBTFUL DEBTS		
Provision on interest from deposits	3,606,821	3,606,821
Provision on trade debtors	18,712	18,712
Provision on Continental Credit Finance	16,815,053	16,815,053
	<u>20,440,586</u>	<u>20,440,586</u>
	<u>6,935,352</u>	<u>5,952,060</u>

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

Also stock differences were encountered when annual stock taking were done at the end of the year 2011/2012 with minimum cumulative figure.

Other Receivables includes KRA and Continental Credit Finance

	2015	2014
	KSHS	KSHS
6 CASH & CASH EQUIVALENT		
Bank Current Account (NBI)	4,307,904	3,953,145
Bank Current Account (EMBU)	212,025	312,605
KCB Wanguru	43,715,557	2,890,241
Cash in hand - factory imprest	552,206	974,538
	<u>48,787,692</u>	<u>8,130,530</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

7	TAXATION (KRA)	2015	2014
		KSHS	KSHS
	Balance brought forward	(1,952,021.00)	(8,784,785)
	Prior year adjustments		6,832,764
	Balance carried forward	<u>(1,952,021.00)</u>	<u>(1,952,021)</u>
	Since the tax of ksh.8,784,785 was calculated and agreed by the tax consultant and KRA, the amount was transferred to debtors account.		
8	SHARE CAPITAL	2015	2014
		KSHS	KSHS
	Authorised and fully paid 250,000 ordinary shares of Kshs 20/= each. The shareholding is as follows :	5,000,000	5,000,000
	National irrigation Board - 55%		
	Mwea Rice Mills Ltd - 45%		
	Mwea Rice Mills Ltd - 45%		
9	CAPITAL FUND FOR MILL REHABILITATION		
	Capital Fund Ksh.52,610,534.00 for mill rehabilitation is a levy based on kilograms of rice milled for National Irrigation Board by Mwea Rice Mills. The levy was to be used for rehabilitating the mills. The Board has shed off non core functions like processing and marketing of rice and therefore the levy is no longer chargeable.		
10	GENERAL RESERVE		
	The Company used to transfer part of its profits made to the general Reserve and would utilise such reserves to pay dividends when the Company made losses. An amount of Kshs 8,700,000.00 remains unutilised to date.		
11	REVALUATION RESERVE	2015	2014
		KSHS	KSHS
	Revaluation of Maisonettes	94,934,598	99,701,188
	Revaluation of Leader House	36,223,796	38,042,564
	Depreciation of Revalued assets	(6,585,358)	(6,585,358)
	Net book Value	<u>124,573,036</u>	<u>131,158,394</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

12 ACCUMULATED PROFIT/(LOSS)	2015 KSHS	2014 KSHS
Balance b/f	48,953,799	60,971,697
Prior year adj. - 2010,2011,2012	-	(4,022,987.00)
Profit/(loss) for the year	<u>1,271,531</u>	<u>(7,994,911)</u>
Balance c/f	<u>50,225,330</u>	<u>48,953,799</u>

13 TRADE AND OTHER PAYABLES	2015 KSHS	2014 KSHS
Audit fees provision	580,000	541,488
Government proposed levy **	22,037,370	22,037,370
Tax provision	544,942	-
NIB current account	36,659,598	38,810,437
Hunan Towin Machinery	-	3,461,971.00
Trade	<u>166,838</u>	<u>-</u>
	<u>59,988,748</u>	<u>64,851,266</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

14 TURNOVER	2015	2014
	KSHS	KSHS
Basmati paddy sales	34,721,710	1,450
Broken rice sales	422,747	880,430
Basmati packets sales	12,556,372	8,865,888
Bran meal sales	6,576,656	736,815
Chicken feed sales	525,070	34,775
Milling Income	21,811,026	-
Sales of course bran	800	-
	<u>76,614,381</u>	<u>10,519,358</u>

15 COST OF SALES	2015	2014
	KSHS	KSHS
Paddy to mills	47,328,669	9,278,441
Salaries and Wages- Casuals	6,752,433	3,947,842
Gratituty & others	-	208,648
Salaries and Wages- Production	375,187	607,531
Electricity	7,595,492	1,369,715
Buildings mtce -General	2,185,851	743,989
Buildings mtce - Stores	15,466	982,056
Depreciation - Buildings	367,678	154,382
P & M Maintenance - mill IV	62,000	1,495,104
P & M Maintenance - miscellaneous	1,199,125	368,194
Depreciation - Equipment	4,591,773	1,219,111
Bags and Packing materials	2,078,891	652,157
P & M Maintenance - mill 2	581,969	-
P & M Maintenance - mill 5	791,691	-
P & M Maintenance - mill 6	188,025	-
	<u>74,114,249</u>	<u>21,027,168</u>

FOR THE YEAR ENDED 30 JUNE 2015

16 OTHER INCOME	2015 KSHS	2014 KSHS
Rental Income	994,830	1,273,450
Milling Income	-	4,266,613
Miscellaneous Income	5,778,092	163,606
Interest Income	-	311,214
Storage Income	1,326,000	1,245,000
Gain on lorry disposal	-	149,977
	<u>8,098,922</u>	<u>7,409,860</u>
17 INVESTMENT INCOME	2015 KSHS	2014 KSHS
Gross Income	<u>7,258,746.0</u>	<u>7,695,738</u>
	<u>7,258,746.0</u>	<u>7,695,738</u>
18 ADMINISTRATION EXPENSES	2015 KSHS	2014 KSHS
(a) Staff costs		
Salaries and Wages	2,513,376	2,064,778
Training Expenses	-	30,300
Medical Expenses	24,999.00	
House allowance	200,000.00	
sub-total	<u>2,738,375</u>	<u>2,095,078</u>
(b) Administrative costs		
Printing and Stationery	111,173	110,512
Travelling Expenses	2,056,473	2,602,962
Telephone, Postages and Sundries	274,035	229,610
Building mtce- offices	129,207	93,453
Legal & Professional fees	417,600	1,732,800
Audit fees	348,000	309,488
Depreciation - Furniture and Equipment	-	21,860
Security services	207,935	1,692,058
Licences	76,200	-
NSSF	16,200.00	-
Administration & accountancy fee	2,849,161.48	-
Computer expenses	23,500.00	-
Motor vehicle Mtce.	713,608.00	-
Buildings mtce - Staff houses	37,828.00	-
Uniforms	2,450.00	-
Buildings mtce - Leader houses	18,484.00	-
sub-total	<u>7,281,855</u>	<u>6,792,743</u>
Total	<u>10,020,230</u>	<u>8,887,821</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

19	OTHER EXPENSES	2015 KSHS	2014 KSHS
	Staff Houses Maintenance	-	178,188
	Motor vehicle mtce	160,797.60	382,832
	Uniforms	-	64,880
	Office Tea	156,154.00	154,749
	Depreciation on Vehicles	-	121,522
	Subscriptions and Periodicals	61,840.00	60,720
	Water Charges	(34,916.00)	-
	Bicycles mtce	11,700.00	8,400
	Furniture & Fittings	21,669.43	-
	Marketing	306,400.00	415,800
	Office Machinery expenses	-	10,820
	Computer Expenses	-	11,600
	Petrol	500.00	8,050
	Oills & Grease	900.00	-
	Diesel	762,724.00	775,900
	Depreciation (Maiso & Leader Hs)	573,409.00	-
	Medical expenses	-	4,480
	Leave & transfer allowance	36,967.00	36,761
	Sewarage Depreciation	4.00	-
	Rates	245,778.00	749,019
	Tax Liability	3,542,798	-
	Total	<u>5,846,725</u>	<u>2,983,721</u>
20	FINANCE COSTS	2015 KSHS	2014 KSHS
	Bank charges	<u>174,373</u>	<u>147,747</u>
	Total	<u>174,373</u>	<u>147,747</u>

21 RELATED PARTY TRANSACTIONS

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

(b) The Company's board of directors and the management did not have any related party transactions with the company within the year under audit.

MRM LTD

BANK ACCOUNT Nos.

KCB Wanguru 1103971387
BBK Embu 0041189193
BBK Nairobi 0947035838

22 CHAIRMAN'S MESSAGE

In the current financial year, the performance of Mwea Rice Mills has improved as compared to the financial year 2013-2014. The company's key mandate has been the stabilization of paddy prices for the benefit of the farming community.

In order to continue playing this key role, there is a deliberate plan by the Board to enhance the capacity of the company to continue being the dominant miller of good quality rice in the region by investing in the milling plants. This will enable the company not only to mill its own paddy but also to mill for the farmers. Thereby enhancing the quality of milled rice which translates into enhanced revenue.

Additional investment will also be made in enhancing the Management systems including installation of ICT systems to monitor operations with a view to maximizing output.

The future prospects of the company remain bright and the Board is in the process of evaluating on how to enhance the income generated from its investments property. (Leader House and Maisonnettes on Lenana Road).

23 CEO's MESSAGE

In the current year, the company has been able to make some profits. This is associated with the acquirement of the new milling plant.

In order to enhance performance, the company has embarked on a strategy to increase the turnover through provision of milling services to the farmers and other customers rather than relying on marketing of milled rice alone.

There are further plans to create new distribution channels in order to deepen the market penetration of the products.