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REPORT	DATE: 28 MAY 2025
	DAY: Wednesday
TABLED BY:	Hon. Owen Bayo, MP Deputy leader of the majority party
OF	CLERK-AT THE-TABLE: Kithen Ngiyo

THE AUDITOR-GENERAL

ON

WESTERN KENYA RICE MILLS LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2024**



**WESTERN KENYA RICE
MILLS LIMITED**

WESTERN KENYA RICE MILLS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Western Kenya Rice Mills Limited
Annual and Financial Statements for the year ended June 30, 2024

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1. Acronyms and Glossary of Terms

<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>NT</i>	<i>The National Treasury</i>
<i>PFM</i>	<i>Public Finance Management Act.</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WKRM</i>	<i>Western Kenya Rice Mills Limited.</i>
<i>NIA</i>	<i>National Irrigation Authority</i>
<i>NCPD</i>	<i>National Cereals and Produce Board</i>
<i>ENG</i>	<i>Engineer</i>
<i>KRC</i>	<i>Kenya Railways Corporation</i>
<i>AG.</i>	<i>Acting</i>
<i>M & E</i>	<i>Monitoring and Evaluation</i>
<i>HON.</i>	<i>Honorable</i>
<i>AIRS</i>	<i>Ahero Irrigation Research Station</i>

2. Key Entity Information

a) Background information

The *Western Kenya Rice Mills Ltd.* was established under the Companies Act CAP 486(now repealed and substituted with Companies Act 2015) on 5th May 1967).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

b) Principal Activities

The principal activities of the Company are 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 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.

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 for clients. Our major client is National Cereals and Produce Board (NCPD). Our target customers are vendors, schools, universities, hospitals and public institutions, wholesalers and individual buyers.

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c) Directors

The Directors who served the entity during the financial year 2023/2024 were as follows:

1. Eng. Gilbert M. Maluki - Chairman - Appointed on 18/05/2023
2. Eng. Charles Muasya, - Managing Director - Appointed on 06/12/2022
MBS
3. Mr. John Ojwang' Owiti - Representative - Ahero Multipurpose Co- - Appointed on 23/06/2023
operative Society
4. Ms.Nancy Anyango Ongus - Representative - West Kano - Appointed on 02/05/ 2023
- Multipurpose Co-operative Society
5. Mr. Michael Congo - Representative Magombe Cooperative Societies Appointed on 29/05/2018
6. Mr. Daniel Odhiambo - Alternative to PS, State Department of - Appointed on 28/09/2023
Odero Irrigation, Ministry of Water Sanitation
and Irrigation
7. Mr. Victor Momanyi - Representative of Inspector General State - Appointed on 08/06/2022
Corporations
8. Mr. Charles Kairu - Alternative to PS, National Treasury - Appointed on 14/10/2015

d) Corporate Secretary

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

e) Factory

Ahero
P.O. Box 1010-40100
KISUMU

f) Corporate Headquarters

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

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g) Corporate Contacts

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

h) Corporate Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
P.O. Box 393
Kisumu


i) Independent Auditors

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



j) Principal Legal Advisers

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



3. The Board of Directors

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

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		towards reducing the cost of living by improving agricultural productivity within the framework of the Bottom-Up Economic Transformation Agenda (BeTA).
2.	<p>ENG. CHARLES MUASYA, MBS – MANAGING DIRECTOR</p> 	<p>Eng. Charles Muasya was appointed the Chief Executive Officer on 6th December, 2022. He is the Managing Director of the Company by virtue of him being the Chief Executive Officer of the National Irrigation Authority. He holds a Master in Civil Engineering from University of South Australia and B.Sc. Agricultural Engineering from Egerton University. He is a proficient Engineer with 20 years of experience in Engineering field. He is a registered Engineer with Engineers Board of Kenya (EBK), a Corporate Member of Institution of Engineers of Kenya and JICA Ex-Participant.</p>
3.	<p>MR. MICHAEL CONGO REPRESENTATIVE – MAGOMBE MULTIPURPOSE CO-OPERATIVE SOCIETY</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. His current occupation is commercial rice farming</p>


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4.	<p>MR. JOHN OWITI, NON-EXECUTIVE DIRECTOR</p> 	<p>Mr. John Ojwang’ Owiti was appointed to the Western Kenya Rice Mills Board on 23rd June 2023. He is a seasoned professional with a strong background in government relations, public administration and diplomacy. He previously served as a Protocol Officer in the County Government of Kisumu and was a member of the taskforce for the decentralization of village councils, where he contributed to strengthening the local governance structures.</p> <p>In addition, Mr. Owiti has served in the Board of Odiénya Mixed Day Secondary School, where he demonstrated exceptional organizational and diplomatic skills. As a Director at Western Kenya Rice Mills (WCRM), he brings valuable expertise in managing operations and stakeholder engagement, ensuring that the voices of farmers and local communities are integrated into the mill’s decision-making.</p>
5.	<p>MS. NANCY ANYANGO ONGUS, NON-EXECUTIVE DIRECTOR</p> 	<p>Ms. Nancy Anyango Ongus was appointed to the Board of Western Kenya Rice Mills (WCRM) on 2nd May 2023. She is an accomplished Early Childhood Educator with extensive expertise in fostering development at the foundational stages of learning. She holds a Diploma and a Certificate in Early Childhood Development and Education (ECDE), showing her commitment to nurturing the next generation.</p> <p>Ms. Ongus is a highly experienced and dedicated teacher with years of hands-on experience in early childhood education. With a proven track record of leadership and a deep understanding of community dynamics, Ms. Ongus brings valuable insights to the Board of Western Kenya Rice Mills. Her hands-on experience in</p>

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		<p>education has sharpened her ability to communicate complex ideas to diverse groups, a skill that will be instrumental in driving WCRM’s community engagement and public education efforts.</p> <p>As a passionate advocate for grassroots development, Ms. Ongus is well equipped to support WCRM’s projects by fostering community partnerships, spearheading awareness programs and ensuring the successful adoption of key initiatives. Her dedication to inclusive development will help ensure that the Mill’s goals are aligned with the needs and aspirations of local communities.</p>
<p>6.</p>	<p>MR. CHARLES KAIRU – ALTERNATE TO PRINCIPAL SECRETARY, NATIONAL TREASURY NON-EXECUTIVE DIRECTOR</p> 	<p>Mr. Charles Kairu was appointed to the Board on 20th May 2020 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>7.</p>	<p>MR. VICTOR MOMANYI, ALTERNATE REPRESENTATIVE OF INSPECTOR GENERAL, STATE CORPORATIONS</p> 	<p>Mr. Victor Momanyi was appointed to the Board on 8th June 2022. He is a holder of Masters Degree in Public Sector Management from Africa University and Bachelor’s Degree in Education from Kenyatta University.</p> <p>He currently holds the office as Deputy Inspector General (Investigations), Inspectorate of State Corporations, Cabinet Affairs office. He is a member of Association of Public Administration and Management (APAM) (Kenyan Chapter</p>

8.	<p>MR. DANIEL ODHIAMBO ODERO, ALTERNATE REPRESENTATIVE OF THE PRINCIPAL SECRETARY, STATE DEPARTMENT FOR IRRIGATION</p> 	<p>Mr. Daniel Odhiambo Odero was appointed to the Board on September 28, 2023. He holds a Master of Science (MSc.) degree in Agricultural and Applied Economics (CMAAE) and a Bachelor of Science (BSc.) in Agriculture both from the University of Nairobi, Kenya. Mr. Odero has also received specialized training in various areas related to agriculture and development, including Water-saving agricultural technologies for Kenya in Yangling, People’s Republic of China, intensive crop production with modern technologies in Mashav, Israel, and Resilience Index Measurement and Analysis from FAO/IGAD. Additionally, he has undergone training in Monitoring & Evaluation, Data Management & Analysis for Agricultural & Rural Development Programmes with In-depth Research Services, Agricultural Development Policy and Planning for Developing Countries and Agricultural Products Circulation and Trade for African Countries in Beijing, China, and Strategic Leadership Development Programme and Senior Management Course at Kenya School of Government. He is also a member of the Association of African Agricultural Economists (AAAE).</p> <p>. Among others, his responsibilities include formulating and implementing programs and projects for irrigation scheme management, promoting climate-smart and water-saving irrigation technologies, and overseeing irrigation water development. Moreover, he serves as the National Programme Coordinator for KfW-funded projects on irrigation and water harvesting and storage in Kenya</p> <p>Prior to his current roles, Mr. Odero has held positions in the Ministry of Agriculture, Livestock, and Fisheries, in several roles including Monitoring &</p>
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		<p>Evaluation Officer for the Drought Resilience and Sustainable Livelihoods Programme in the Horn of Africa and Chief Agriculture Officer.</p>
9.	<p>MS. JULLYANNE AWINO OKELLO</p>  A portrait photograph of Ms. Jullyanne Awino Okello, a Black woman with her hair styled in braids, smiling. She is wearing a white blazer with a colorful floral pattern over a black top. The background is a plain, light-colored wall.	<p>Ms. Jullyanne is the Ag. Corporation Secretary of the Authority since 28th February 2023. She provides Board Secretarial Duties and ensures that the Board has the resources required to fulfil its fiduciary duties. She is also the Ag. Principal Planning Officer, heading the Monitoring and Evaluation function of the Institution. Ms. Okello holds a Bachelor of Science from Kenyatta University, a Master of Business Administration from The University of Nairobi and a Master of Science in Project Management from Jomo Kenyatta University of Agriculture and Technology. She is currently pursuing a Master of Science in Monitoring and Evaluation and a Doctor of Philosophy in Project Management both at Jomo Kenyatta University of Agriculture and Technology.</p>


4. Key Management Team

SN	Management	Details
1		<p>Eng. Charles Muasya, MBS – Managing Director</p> <p>Eng. Charles Muasya was appointed the Chief Executive Officer on 6th December, 2022. He is the Managing Director of the Company by virtue of him being the Chief Executive Officer of the National Irrigation Authority. He holds a Master in Civil Engineering from University of South Australia and B.Sc. Agricultural Engineering from Egerton University. He is a proficient Engineer with 20 years of experience in Engineering field. He is a registered Engineer with Engineers Board of Kenya (EBK), a Corporate Member of Institution of Engineers of Kenya and JICA Ex-Participant.</p>
2		<p>Mr. Daniel Atula Masatia, - Deputy General Manager – Corporate Services.</p> <p>Mr. Daniel Atula Masatia was appointed the Deputy General Manager (Corporate Services) on 1st February 2023 having acted in that capacity for 3 years. Preceding his appointment as the Deputy General Manager (CS), he was the Deputy General Manager, Operations & Irrigation Management Services of National Irrigation Authority since 2018. He holds an MBA in Strategic Management and Bachelor of Science degree in Agriculture from University of Nairobi.</p> <p>He is an accomplished Agriculturalist and Manager with experience of over 30 years in Scheme, Projects and Research Operations, Planning and Strategy Formulation and Implementation, Resource Mobilization, Formulation and execution of Irrigation Programmes ranging from Development to Operations. His experience and expertise is valuable in Policy Formulation and in the provision of Irrigation Services.</p>

<p>3</p>		<p>Mr. Joel Kipkemboi Tanui –Ag. Deputy General Manager - Operations & Irrigation Management Services</p> <p>Mr. Tanui is the Ag. Deputy General Manager, Operations and Irrigation Management Services beginning 1st February 2023. He is also the Chief Officer (OIMS). In this position, he is in charge of all Irrigation Schemes in the country. Preceding his appointment, he served as the Scheme Manager, Western Kenya Schemes for 6 years and a Regional Co-ordinator, Nyanza Region for 2 years.</p> <p>Mr. Tanui holds a Master of Science in Agricultural Production Chain Management from Van Hall Laventein University, the Netherlands and a Master of Business Administration in Strategic Management from Maseno University. He holds a Certificate in Irrigated Rice Cultivation and Post-Harvest Management from Yamagata University, Japan; Post Graduate Fellowship in Irrigation and Water Resource Management from University of Queensland, Australia as well as Diploma in Innovations Management from International Business Management Institute, Germany..</p>
<p>4</p>		<p>CPA Jedidah N. Oduori, Head Of Finance</p> <p>Jedidah is currently the Head of Finance. Prior to this appointment, she had served in various capacities within the Finance and Audit departments of the Authority both at the Head Office and in the Western Kenya Schemes. She has a Master in Business Administration and Strategic Management degree from Daystar University, A Bachelor of Commerce (Accounting option) degree from Punjab University, India and CPA (K) holder. She has over 21 years of experience in audit and finance. Having diverse experience in the finance and audit sections, she brings in a lot of expertise to the Authority.</p>

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5	 A portrait of Ms. Jullyanne Awino Okello, a Black woman with her hair styled in braids, smiling. She is wearing a white blazer with a colorful floral pattern over a black top. The background is a plain, light-colored wall.	<p>Ms. Jullyanne Awino Okello – Ag. Principal Planning Officer (M&E) / Ag. Company Secreta</p> <p>Ms. Jullyanne is the Ag. Corporation Secretary of the Authority since 28th February 2023. She provides Board Secretarial Duties and ensures that the Board has the resources required to fulfil its fiduciary duties. She is also the Ag. Principal Planning Officer, heading the Monitoring and Evaluation function of the Institution. Ms. Okello holds a Bachelor of Science from Kenyatta University, a Master of Business Administration from The University of Nairobi and a Master of Science in Project Management from Jomo Kenyatta University of Agriculture and Technology. She is currently pursuing a Master of Science in Monitoring and Evaluation and a Doctor of Philosophy in Project Management both at Jomo Kenyatta University of Agriculture and Technology.</p>
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5. Fiduciary Management

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

No.	Designation	Name
1.	Managing Director	Eng. Charles Muasya, <i>MBS</i>
2.	Deputy General Manager – Corporate Services.	Mr. Daniel Atula Masatia
3.	Ag. Deputy General Manager - Operations & Irrigation Management	Mr. Joel Kipkemboi Tanui
4.	Head Of Finance	CPA Jedidah N. Oduori

6. Fiduciary Oversight Arrangements

The WKRM Board of Directors provided the fiduciary oversight arrangements of the Company. This is due to the lean board that the Company has.

7. Chairman's Statement

I am delighted to present to you our 45th Annual Report and Financial Statements for the year ended 30 June 2024.

With the rice mill machine operating below capacity this presented a unique challenging environment for the company. 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.

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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..... 30/12/2024

ENG. GILBERT MUTUA MALUKI NDONYE
CHAIRMAN OF THE BOARD

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8. Report of the Managing Director

It is my pleasure to present to you the annual report and financial statements for WKRM for the financial year 2023/20224.

I note the remarkable efforts and support accorded by the Board of Directors, Management and staff during the 2023/24 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.

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 endeavours 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.

Total sales for the year was Ksh. 707,965.00 which is an increase 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;

- i. Installation of a new rice milling plant procured by the County Government of Kisumu to enhance efficiency and attract high number of customers
- ii. Engagement with shareholders to raise the much needed capital to improve on the company's purchasing power.
- iii. 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 financial reports. We have improved community welfare through stable prices and provision of local employment -both directly and indirectly.

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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: 30/12/2024.....

ENG. CHARLES MUASYA, MBS
MANAGING DIRECTOR

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9. Statement of Performance against Predetermined Objectives for FY 2023/2024

During the financial year under review, WKRM Ltd. did not have a running strategic plan. However, there was a business plan which guided the performance of the company during the financial year 2023/2024.

10. Corporate Governance Statement

Overview

WKRM as a company fully engages the community in offering its services within the three public Irrigation Schemes of Ahero, West Kano and Bunyala. During the Financial year, Western Kenya Rice Mills reached out to the community through:

1. Provision of shelter to the flood affected farmers' families in the scheme covering the period February–April 2024. Majority of the farmers were displaced by floods and WKRM stores and open spaces were used by the displaced farmers.
2. WKRM has also supported the rice farming community with price stability for the rice grown within the schemes through farmer guided pricing; hence farmers were not exploited by brokers and middle men.

Due to financial limitations, the company was not able to provide material support in-kind to the community like in the previous years. However, once the company is back to profitability, it will endeavour to support schools, and other corporate activities within the region

Composition of the board

The Board of Directors for the Company comprises of;

- i. The Chairman who is also the Chairman of NIA's Board of Directors,
- ii. Three National Government representatives. Namely;
 - a) Alternate to Principal Secretary, The National Treasury
 - b) Alternate to Principal Secretary, State Department of Irrigation, Ministry of Water, Sanitation and Irrigation
 - c) Representative of Inspector General State Corporations as an ex-officio member
- iii. The Managing Director who also serves as the Chief Executive Officer for NIA,
- iv. The Chairmen of Ahero Multi-Purpose Co-op Society, West Kano Farmers Co-op Society and Magombe Multi-Purpose Co-op Society.

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

The role of the board

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

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The Board is also responsible for the following:

- i. Oversee the activities of the Company, including providing leadership and setting its objectives.
- ii. Represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance.
- iii. Approve and monitor the progress of major capital expenditure.
- iv. Approve budgets.
- v. Approve and monitor systems of risk management, internal control, codes of conduct accountability and legal compliance to ensure appropriate compliance framework and controls are in place.
- vi. Approve and monitor the corporate, financial and other reporting systems of WKRM including external audit and oversee their integrity;
- vii. Adopt appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards.

Board meetings

The Board had four scheduled meetings during the financial year under review. In these meetings the Board reviews the company's performance against the planned Business Plan and also approve issues of strategic nature. In the period under review, the board met four times.

Directors' Remuneration

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

Communication with stakeholders

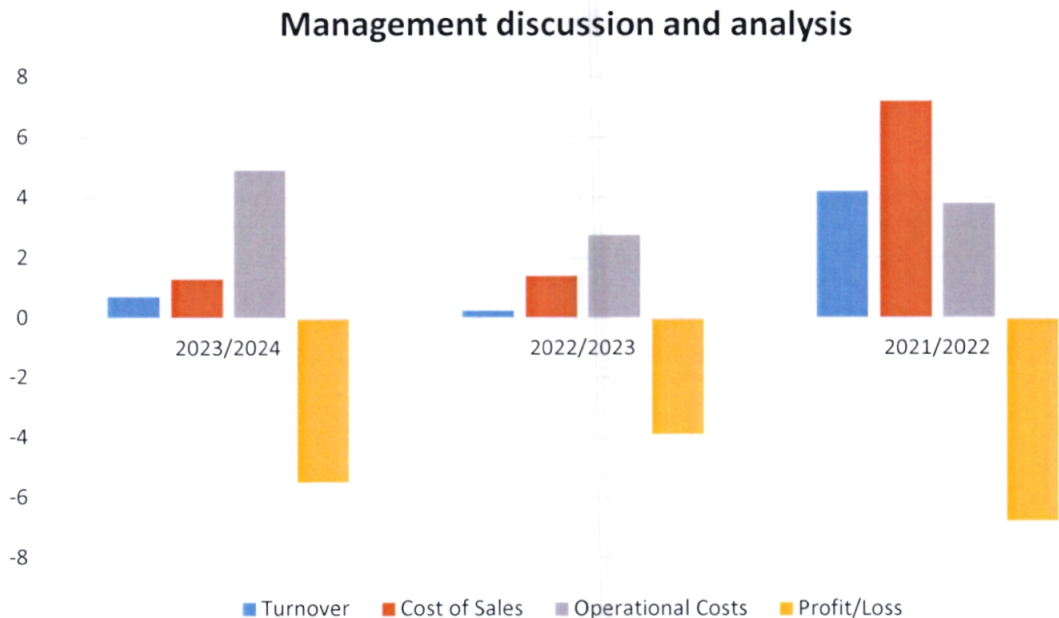
Western Kenya Rice Mills Limited has in place an internal Communication mechanism that sets out the standards of communication to be expected of the Company by its Shareholders; ensures that the Board proactively supplies relevant information to Stakeholders; and aims to enhance transparency and accountability.

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11. Management Discussion and Analysis

The Company’s turnover for the financial year 2023/2024 is Kshs. 707,965 while the previous years had Kshs. 254,530 for 2022/2023 and Kshs. 4,239,348 for 2021/2022. Hence, 64 % increase as compared to the previous financial year 2022/2023. The cost of sales decreased from Kshs. 7,240,558 in the year 2021/2022 to Kshs. 1,405,576 in the year 2022/2023 and decreased to Kshs. 1,290,129 in the financial year 2023/2024. Thus resulting to 9 % decrease in cost of sales when comparing the three financial years. This information is highlighted in the form of a bar chart, below.

The operational costs decreased from Kshs. 3,820,871 in the financial year 2021/2022 to Kshs. 2,744,554 in the financial year 2022/2023 and increased to Kshs. 4,925,348 in the current financial year 2023/2024. Representing an increase of 44 % in operational costs. The Company’s loss for the current financial year 2023/2024 decreased from Kshs. -6,777,856 for the year 2021/2022 to Kshs. -3,895,600 for the year 2022/2023 and increased to Kshs. -5,495,851 representing 29 % increase.



12. Environmental and Sustainability Reporting

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

i) 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) (71.90% shareholding and Western Kenya schemes Rice Farmers at 28.10% 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 has been cross border trading influx from Ugandan private businessmen and brokers that have 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
- 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 care less on the same and thus influencing farmers' decision making.

ii) Environmental performance

WKRM being an electrically motorized plant has had very limited environmental pollution in respect to air. However, the mill has little sound pollution and waste pollution as a result of the husk that comprises 18% of 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.

Western Kenya Rice Mills Limited

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

- ii. Through our AIRS the rice husks to a good percentage has 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) Employee welfare

- i. WKRM being a subsidiary of the National Irrigation Authority, 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. However, the senior management is overseen by staff from the Authority who are recruited competitively and on merit as per the National Irrigation Authority HR Instruments.
- 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. In compliance with the Occupational Health and Safety Act, WKRM in collaboration with the Public Health has ensured that the health standards are met and periodical inspections and certification of the facility has been up to date.
- iv. The staff are protected against pollution and mechanical injuries by ensuring all time donning PPEs including nose, ears, eyes, body and feet protectors.

iv) 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 endeavoured to win 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 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 not been advertising for the marketing of its commodities.

(d) Product Stewardship

WKRM products are known by a wide range of consumers who come to buy directly from the factory. Most of these products are well packed and weighed in accordance to the standards established.

WKRM products are tested and certified by KEBS.

v) Corporate Social Responsibility / Community Engagements

WKRM as a company fully engages the community 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 February –May 2024, 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 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.

Western Kenya Rice Mills Limited
Annual and Financial Statements for the year ended June 30, 2024

13. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the Western Kenya Rice Mills Ltd.'s affairs.

i) Principal activities

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

ii) Results

The results of the entity for the year ended June 30, 2024, are set out on page 1 to 8

iii) Dividends

The Directors did not recommend payment of dividend for the year ended 30th June 2024 as the Company did not post any profits.

iv) Directors

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

v) Auditors

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

By Order of the Board


.....
Ms. Jullyane Okello Awino

Ag. Company Secretary/Secretary to the Board

Date 30/12/2024

Western Kenya Rice Mills Limited
Annual and Financial Statements for the year ended June 30, 2024

14. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Western Kenya Rice Mills Ltd. 's financial statements, which give a true and fair view of the state of affairs of the WCRM. for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes:

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

The Directors responsibility for the Western Kenya Rice Mills Ltd. '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.

Western Kenya Rice Mills Limited
Annual and Financial Statements for the year ended June 30, 2024

Statement of Directors' Responsibilities (Continued)

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

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

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

Approval of the financial statements

The *Western Kenya Rice Mills Ltd.*'s financial statements were approved by the Board on 30/12 2024 and signed on its behalf by:



.....
Eng. Gilbert Mutua Maluki Ndonye

Chairperson of the Board



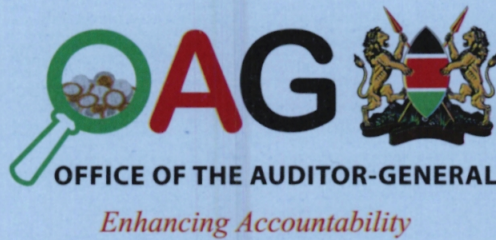
.....
Eng. Charles Muasya, MBS

Managing Director

Western Kenya Rice Mills Limited
Annual and Financial Statements for the year ended June 30, 2024

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WESTERN KENYA RICE MILLS LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Western Kenya Rice Mills Limited set out on pages 1 to 63 which comprise the statement of financial position as at 30 June, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Western Kenya Rice Mills Limited as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Trade and Other Receivables

The statement of financial position reflects the trade and other receivables balance of Kshs.352,454 as disclosed in Note 20 to the financial statements. The balance is net of provision for doubtful debts on trade receivables of Kshs.2,181,304. However, the following anomalies were noted;

1.1. Long Outstanding Trade and Other Receivables

The documents supporting the amounts reflected in trade and other receivables balance were not provided for audit review. Further, review of ageing analysis revealed that trade receivables totaling Kshs.2,425,453 have been outstanding for over three years. In addition, the balance includes imprest and advance of Kshs.46,105 outstanding for more than five (5) years.

1.2. Understatement of Trade and Other Receivables

Review of demand letters and prior year receivable revealed that some debts amounting to Kshs.306,640 has been omitted in the period under review. Further, there was no documentary evidence provided to confirm payment of the outstanding debts as 30 June, 2024.

In the circumstance, the accuracy, completeness and recoverability of trade and other receivables balance of kshs.352,454 could not be confirmed

2.0 Failure to Disclose Material Uncertainty in Relation to Sustainability of Services

The Company's statement of financial position reflects current liabilities balance of Kshs.8,825,809 which exceeds the current assets balance of Kshs.5,402,631 resulting to a negative working capital of Kshs.3,423,178. Further, the statement of profit/loss and other comprehensive income reflects a loss before taxation of Kshs.5,507,512 resulting to an increase in accumulated deficit from Kshs.80,231,414 as at 30 June, 2023 to Kshs.86,100,568 as at 30 June 2024. The Corporation is, therefore, technically insolvent and its continued sustainability of services is dependent upon support from the National Irrigation Authority and its creditors. However, this material uncertainty has not been disclosed in the financial statements.

In the circumstances, the Corporations' ability to continue to sustain its services could not be confirmed.

3.0 Unsupported Non-Current Liabilities

The statement of financial position reflects a balance of Kshs.47,750,887 under National Irrigation Authority current account and as disclosed in Note 26 to the financial statements. The amount is reported as historical and current transactions between Western Kenya Rice Mills Limited and National Irrigation Authority. However, the supporting documents showing how this amount was arrived at and the movement of the balances were not provided for audit review.

In the circumstances, accuracy of trade and other payables could not be confirmed.

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

Emphasis of Matter

1.0 Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.8,825,809 as disclosed in Note 27 to the financial statements. The balance includes salary arrears of Kshs.2,310,159 which has been outstanding for more one (1) year. In addition, the balance includes outstanding unremitted withholding tax of Kshs.491,828 owed to Kenya Revenue Authority, which has been outstanding for several years. Further,

these long outstanding payables were cleared by National irrigation authority in the subsequent year. However, no contractual agreements and board approvals provided to justify why expenditure was incurred by National irrigation on behalf of the company and whether the expenditure was budgeted.

2.0 Non-Remittance of Payroll Deduction

The statement of financial position as disclosed in Note 27 to the financial statements reflects trade and other payables of Kshs.8,825,809 which includes un-remitted payroll deductions amounting to Kshs.2,487,354 which has not been remitted since 2020. Further, the unremitted amounts have since been remitted by National Irrigation Authority in the financial year 2023/2024. However, the payments were not supported by board approvals and budget authorizing National Irrigation Authority to pay expenditure on behalf of the company.

3.0 Inconsistencies in the Ownership Details of the Company

Scrutiny of the documents provided for audit including internal auditor's reports revealed that Western Kenya Rice Mills Company Limited is jointly owned by National Irrigation Authority (NIA) at 74% shareholding and Ahero, West Kano and Bunyala Schemes owning 11.7%, 5.7% and 6.1% respectively all yielding a total of 23.5% of the other shareholders beside NIA. However, all these percentages were just an estimate of the perceived shareholding with no verifiable documentations to affirm the true position of the company's share capital.

In addition, review of the Western Kenya Rice Mills ownership documents revealed that the Company is a limited company as registered. However, Management did not provide a copy of the CR12 to authenticate the actual owners of the company.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. 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 Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions

of the Public Audit Act, 2015 and Public Sector Accounting Standards Board reporting templates.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Irregular Engagement of Casual Workers

The statement of profit and loss and other comprehensive income reflects cost of sales of Kshs.1,290,129 as disclosed in Note 7 to the financial statements. The figure includes basic pay amounting to Kshs.445,769 paid to casual employees. However, review of muster roll and payroll revealed that casual employees were engaged continuously for a period exceeding three months and no authority to engage casual from managing director was provided for audit review.

Therefore, the Company contravened labour laws and the continued employment of staff on casual terms may affect their morale and in effect affect efficient and effective delivery of the Company's mandate.

2.0 Lack of Tripartite Lease Agreement between Western Kenya Rice Mills and County Government of Kisumu and Private Investor for the Milling Machine Installed at Western Kenya Rice Mills

Review of Board minutes and interview with the Management, revealed that the County Government of Kisumu purchased and installed a new rice mill machine at Western Kenya Rice Mills Limited which has a capacity 2.5 tons per hour.

Further, the Board resolved to engage a private investor who was procured by the County Government of Kisumu through expression of interest. However, audit verification in the Month of December 2024 revealed that the mill was not operational and has not been commissioned. In addition, a tripartite agreement was not provided for audit and it could not be confirmed whether public participation was carried out in compliance with Article 201 of the Constitution of Kenya, 2010 which stipulates that there shall be openness and accountability, including public participation in financial matters.

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

3.0 Slow Moving Basmati Paddy Held in the Stores of Western Kenya Rice Mills Ltd

The statement of financial position and as disclosed in Note 19a to the financial statements reflects raw materials balance of Kshs.3,875,586. Review of stock taking sheets as 30 June, 2024 revealed that seven hundred and sixty-six (766) bags of basmati paddy were still held at Western Kenya Rice Mills Ltd for more than five (5) years. However, the unsold paddy could have earned the Company a total revenue of Kshs.3,747,250 (766 bags at Kshs.4,875 each) if sold as paddy at prevailing market price. Physical verification done in December 2024 revealed that the paddy was sold in September 2024 and earned revenue of Kshs.2,412,720 resulting to a loss of Kshs.1,334,530.

In the circumstances, the value for money could not be confirmed.

4.0 Lack of Gender Diversity in the Board of Directors

During the period under review, it was noted that the Company Board of Directors consisted of eight (8) Board Members, where only one was a female member thus contravening Mwongozo Chapter 1 on Governance of Principles which provides that the composition and size of the Board should provide gender diversity, competences and skills required for the effective leadership of the organization.

In the circumstances, Management was in breach of the law

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain

assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Lack of Strategic Plan

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

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

2.0 Board of Directors

2.1 Lack of Key Qualification in the Board of Directors

The board did not have a board member who is a financial expert and a bona-fide member of a professional body regulating the Accountancy profession as guided by the law within the period under review and as such contravening Mwongozo principle 1.1 (6) on the appointment of Board Members which states that at least one Board member should be a financial expert, meaning that he or she has the necessary qualifications and expertise in financial management or accounting and is a bona-fide member of a professional body regulating the Accountancy profession, and in compliance with the requirements thereof.

2.2 Failure to Establishment Committees of the Board

Review of the Board documents revealed that the Board did not establish the board committees to deal with any matters arising and requiring a focused attention as envisaged in the law. Further, the Board should provide terms of reference to the established committees to guide on its operations and reporting mechanism to the Board.

2.3 Failure to Act on Internal Audit Reports

A scrutiny of the Internal audit reports provided for audit review and Board Minutes for the year under review revealed that the Board has never discussed and adopted Internal Audit Reports during board meetings for Western Kenya Rice Mills Limited.

2.4 Failure to Subject the Organization to an Annual Governance Audit

A scrutiny of the financial statements reports on profit & loss statement as well as comprehensive income statement for the company, revealed that the company has been making losses over the years and as such, that affected the operations of the company. However, no documented evidence has been provided to show efforts made by the board to subject the company into annual governance audit which would have helped the unravel what was ailing the company.

In the circumstances, the effectiveness of the governance and oversight role of the board could not be confirmed

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of any intention to liquidate the Company or to cease operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

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

16. Statement of Profit/Loss & Other Comprehensive Income for year ended 30th June 2024.

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Revenues			
Revenue from Contracts with Customers	6	707,965	254,530
Cost of sales	7	(1,290,129)	(1,405,576)
Gross loss		(582,164)	(1,151,046)
Other income			
Total revenues		(582,164)	(1,151,046)
Operating expenses			
Administration costs	8	4,925,348	2,744,554
Total operating expenses		4,925,348	2,744,554
Loss before taxation		(5,507,512)	(3,895,600)
Total comprehensive Loss for the year		(5,507,512)	(3,895,600)

Western Kenya Rice Mills Limited
Annual and Financial Statements for the year ended June 30, 2024


17. Statement of Financial Position as at 30 June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Assets			
Non-Current Assets			
Property, Plant And Equipment	12	10,233,716	11,186,222
Total Non-Current Assets		10,233,716	11,186,222
Current Assets			
Inventories	19	4,960,161	5,638,774
Trade And Other Receivables	20	352,454	2,891,579
Bank And Cash Balances	21	90,016	3,918
Total Current Assets		5,402,631	8,534,271
		15,636,347	19,720,493
Equity And Liabilities			
Capital And Reserves			
Ordinary Share Capital	22	35,049,935	35,049,935
Revaluation Reserve	23	10,098,623	10,098,623
Retained Earnings	25	(86,100,568)	(80,231,415)
Capital And Reserves		(40,952,010)	(35,082,857)
Non-Current Liabilities			
NIA Current Account	26	47,750,887	47,722,109
Total Non-Current Liabilities		47,750,887	47,722,109
Current Liabilities			
Trade And Other Payables	27	8,825,809	7,081,240
Total Current Liabilities		8,825,809	7,081,240
		56,576,696	54,803,349
Total Equity And Liabilities		15,636,347	19,720,493

The financial statements were approved by the Board on 30/12 2024 and signed on its behalf by:


.....
Eng. Gilbert M. Maluki Ndonye

Board Chairman


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

Managing Director


.....
CPA. Jedidah N. Oduori

Chief Officer Finance

ICPAK M/NO. 29724

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

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

Description	Ordinary share capital	Revaluation reserve	Retained earnings	Total
As at July 1, 2022 (Previous FY)	35,049,935	10,098,623	(76,335,814)	(31,187,256)
Profit for the year	-	-	(3,895,600)	(3,895,600)
As of June 30, 2023 (Previous FY)	35,049,935	10,098,623	(80,231,414)	(35,082,856)
As at July 1, 2023 (Current FY)	35,049,935	10,098,623	(80,231,414)	(35,082,856)
Profit for the year	-	-	(5,507,512)	(5,507,512)
Retained earnings adjustments	-	-	(361,642)	(361,642)
At June 30, 2024 (Current FY)	35,049,935	10,098,623	(86,100,568)	(40,940,349)

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

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations	30	86,098	(225,113)
Net cash generated from/(used in) operating activities		86,098	(225,113)
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 equivalents		86,098	(225,113)
Cash and cash equivalents at beginning of year		3,918	229,031
Cash and cash equivalents at end of the year	30	90,016	3,918

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c = a + b	d	E = c - d	d/c%
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Sale of goods	160,000	-	545,000	544,800	200	100%
Sale of services	165,000	-	165,000	163,165	1,835	99%
Total income	325,000	-	710,000	707,965	2,035	
Expenses						
Compensation of employees	1,350,000	-	1,350,000	1,329,392	20,608	99%
Use of goods and services	1,300,000	-	1,300,000	1,290,129	9,871	99%
Other payments	3,595,000	-	3,595,000	3,595,956	10,704	100%
Total expenditure	6,245,000	-	6,245,000	6,215,477	41,183	
Surplus for the period	(5,920,000)	-	(5,535,000)	(5,507,512)	(39,149)	

21. 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 activities are 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 judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 5*. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *WKRM*, and all values are rounded off to the nearest Kenya shillings.

Western Kenya Rice Mills Limited

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

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

The Finance Policy and Procedure Manual has also been considered in preparation of these Financial Statements.

Notes to the Financial Statements (Continued)

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

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

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

Western Kenya Rice Mills Limited
Annual and Financial Statements for the year ended June 30, 2024

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

Notes to the Financial Statements (Continued)

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

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

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

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

- iii. *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year 2023/2024

Notes to the Financial Statements (Continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the *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 recognized 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.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the *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.

c) Property, plant and equipment

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

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

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

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

A full year's depreciation charge is 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.

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

p) Borrowing costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash 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.

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2023. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.2,400.00 per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

w) Budget information

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 7 of these financial statements.

x) 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.

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

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

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

Notes to the Financial Statements (Continues)

6. Revenue from contract with customers

Description	2023/2024	2022/2023
	Kshs	Kshs
Sales Of Goods	544,800	202,330
Sales Of Services (Milling income)	163,165	52,200
Total	707,965	254,530

7. Cost of Sales

Description	2023/2024	2022/2023
	Kshs	Kshs
Cost of sales on goods	1,290,129	1,405,576
Total	1,290,129	1,405,576

8. Administration Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Staff costs (note (8a))	1,329,392	1,504,697
Directors' emoluments	74,000	48,100
Transportation, travelling and subsistence	12,000	32,500
Advertising, printing, stationery and photocopying	-	304
Bank charges and commissions	16,428	17,977
Office and general supplies and services	6,200	-
Auditors' remuneration	348,000	348,000
Depreciation	952,506	785,340
Bad debt expense	2,163,684	-
Other Operating Expenses	23,138	7,636
Total	4,925,348	2,744,554

Notes to the Financial Statements (Continued)

8(a) Staff Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Salaries and allowances of permanent employees	1,091,329	1,254,983
Employer's contributions to National Social Security Schemes	86,764	47,621
Employer's contributions to pension scheme	144,605	174,268
Leave pay	6,694	27,825
Total	1,329,392	1,504,697
The average number of employees at the end of the year was:		
Permanent employees	4	4
Temporary and contracted employees	5	5
Total	9	9

Notes to the Financial Statements (Continued)

9. Operating Profit/ (Loss)

Description	2023/2024	2022/2023
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff Costs (Note 8a)	1,329,392	1,504,696.70
Depreciation of property, plant and equipment	952,506	785,341
Provision for bad and doubtful debts	2,181,304	17,621
Directors' emoluments – fees	74,000	48,100
Auditors' remuneration - current year fees	348,000	348,000

Notes to the Financial Statements (Continued)

10. Earnings Per Share

There were not dilutive or potentially dilutive ordinary share as at the reporting date.

11. Dividend per Share

There were no proposed dividends for the period under review

Notes to the Financial Statements (Continued)

12. Property, Plant and Equipment

Description	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Tools & equipment	Others Workshop & machinery	Total
Rate	4%	12.5%	25%	4%	12.5%	12.5%	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1st July 2022	15,625,110	29,997,849	4,539,080	447,988	1,230,018	678,735	52,515,780
As at 30 th June 2023	15,625,110	29,997,849	4,539,080	447,988	1,230,018	678,735	52,515,780
As at 30 th June 2024	15,625,110	29,997,849	4,539,080	447,988	1,230,018	678,735	52,515,780
Depreciation And Impairment							
At 1st July 2022	4,636,958	29,994,849	3,555,669	447,987	1,230,018	678,735	40,544,216
Depreciation	457,841	-	327,500	-	-	-	785,341
As At 30 th 2024	5,719,785	29,994,849	4,210,669	447,987	1,230,018	678,735	42,282,063
Depreciation	625,006	-	327,500	-	-	-	952,506
As at 30 th June 2024	5,719,785	29,994,849	4,210,669	447,987	1,230,018	678,735	42,282,063
As at 30 th June 2023	5,094,799	29,994,849	3,883,169	447,987	1,230,018	678,735	41,329,557
As at 30 th June 2024	9,905,305	-	328,411	1	-	-	10,233,717

Notes To The Financial Statements (Continued)

Valuation

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

Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Buildings	15,625,110	5,719,785	9,905,305
Motor Vehicles, Including Motorcycles	4,539,080	4,210,669	328,411
	20,164,190	9,763,308.00	10,233,716

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost Valuation	Normal Annual Depreciation charge
	Kshs	Kshs
Plant And Machinery	31,903,602	-
Office Equipment, Furniture And Fittings	447,988	-
Total	32,351,590	-

Notes To The Financial Statements (Continued)

13. Intangible Assets

WKRM does not hold any Intangible Assets

14. Investment Property

WKRM does not hold any Investment properties

15. Right-of-use assets

WKRM does not hold Right-of-use assets

16. Fixed Interest Investments

WKRM does not have any Fixed Interest Investments

17. Quoted Investments

WKRM does not have any Quoted Investments.

18. Unquoted Investments

WKRM does not have any Unquoted Investments

Notes To The Financial Statements (Continued)

19. Inventories

Description	2023/2024	2022/2023
	Kshs	Kshs
Raw materials	3,875,586	4,553,569
Total	3,875,586	4,553,569

19 b) Consumables

Description	2023/2024	2022/2023
	Kshs	Kshs
Engineering stores	1,013,763	1,014,393
Stationery and general stores	70,811	70,811
Total	1,084,575	1,085,205

20. Trade and Other Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade Receivables (Note 20 (a))	2,425,453	2,857,095
Staff receivables (Note 20(b))	108,305	52,105
Gross Trade and Other Receivables	2,533,758	2,909,200
Provision for Bad And Doubtful Receivable	(2,181,304)	(17,621)
Net Trade and Other Receivables	352,454	2,891,579

20 (a) Trade Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross Trade Receivables	2,425,453	2,909,200
Provision for Doubtful Receivables	(2,181,304)	(17,621)
Net Trade Receivables	244,149	2,891,579
ageing analysis of gross Trade Receivables		
Over 120 Days	2,425,453	2,909,200
Total	2,425,453	2,909,200

Notes to the Financial Statements (Continued)

20 (b) Staff Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross staff advances	108,305	52,105
Net staff advances	108,305	52,105
Less: Amounts due within one year	(108,305)	(52,105)

21. Bank and Cash Balances

Description	2023/2024	2022/2023
	Kshs	Kshs
Cash at bank	90,016	3,918
Cash in hand	-	-
Total	90,016	3,918

Notes To The Financial Statements (Continued)

Detailed analysis of the cash and cash equivalents

Description		2023/2024	2022/2023
Financial institution	Account number	Kshs	Kshs
a) Current Account			
Kenya Commercial Bank	1108288707	90,016	3,918
Sub- Total		90,016	3,918
Grand Total		90,016	3,918

22. Ordinary Share Capital

Description	2023/2024	2022/2023
	Kshs	Kshs
Authorized:		
420,000 Ordinary Shares of Kshs. 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

23. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

	2023/2024	2022/2023
	KSHS	KSHS
Revaluation reserve brought forward	10,098,623	10,098,623
Net book Value	10,098,623	10,098,623

24. 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.

25. Retained Earnings

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

	2023/2024	2022/2023
	KSHS	KSHS
Balance b/f	(80,231,414)	(76,335,814)
Profit/(loss) for the year	(5,507,512)	(3,895,600)
Retained earnings adjustments	(361,642)	-
Balance c/f	(86,100,568)	(80,231,414)

**Based on this analysis, the Management has procured the services of University of Nairobi Enterprises and Services (UNES) to lead in the development of the Strategic Plan. This is with the intent of turning around the Company.*

Notes to the Financial Statements (Continued)

26. NIA Current Account

Description	2023/2024	2022/2023
	Kshs	Kshs
NIA Current Account	47,750,887	47,722,109
Total	47,750,887	47,722,109

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

27. Trade and Other Payables

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade and Other payables	8,825,809	7,081,240
Total	8,825,809	7,081,240

Aging Analysis for NIA Current Account Trade and other Payables

	2023/2024	% of the total	2022/2023	% of the total
Under one year	1,773,347	3%	2,007,288	4%
1-2 years	2,007,288	4%	1,254,470	2%
2-3 years	1,254,470	2%	15,920,287	29%
Over 3 years	51,541,591	91%	35,621,304	65%
Total	56,576,696	100%	54,803,349	100%

Notes to the Financial Statements (Continued)

28. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2023/2024	2022/2023
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	235,369	253,002
Total employee benefits obligation	-	-	-	235,369	253,002

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2023. The scheme is administered by Minet Kenya Financial Services Limited while Standard Chartered Bank Limited are the custodians of the scheme. The scheme is based on 30 percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IAS 19 was not carried out during the financial year under review.

Notes to the Financial Statements (Continued)

29. Dividends Payable

There were no dividends payable for the year under review.

Notes to the Financial Statements (Continued)

30. Notes to the Statement of Cash Flows

Description	2023/2024	2022/2023
	Kshs	Kshs
(a) Reconciliation Of Operating Profit/ (Loss) To Cash Generated From/ (Used In) Operations		
Profit or Loss before tax	(5,507,512)	(3,895,600)
Depreciation	952,506	785,340
Retained earnings adjustments	(349,981)	(1,171,687)
Operating Profit/(Loss) before Working Capital changes	(4,904,987)	(4,281,946)
(Increase)/Decrease in Inventories	678,613	756,742
(Increase)/Decrease in Trade and Other Receivables	2,539,125	1,296,628
Increase/(Decrease) in Trade and Other Payables	1,773,347	2,003,464
Cash Generated from/(used In) operations	86,098	(225,113)
(b) Analysis of Cash and Cash equivalents		
Cash At Bank	90,016	3,918
Balance At End Of The Year	90,016	3,918

31. Related Party Disclosures

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 60% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *entity*, both domestic and external.

Other related parties include:

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

Notes to the Financial Statements (Continued)

Transactions with related parties

Description	<i>2023/2024</i>	<i>2022/2023</i>
	Kshs	Kshs
a) Key management compensation		
Directors' emoluments	74,000	48,100
Administration & Accountancy fee	9,578	7,636
Total	83,578	55,736

32. Financial Risk Management

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

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

(i) Credit risk

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

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

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

Notes to the Financial Statements (Continued)

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables from exchange transactions	2,909,200	2,891,579	17,621	-
Bank balances	3,918	-	-	-
Total	2,913,118	2,891,579	17,621	-
At 30 June 2024				
Receivables from exchange transactions	2,533,758	352,454	2,181,304	-
Bank balances	90,016	-	-	-
Total	2,623,777	352,454	2,181,304	-

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

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

Notes to the Financial Statements (Continued)

ii) Liquidity risk management

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	-	-	7,081,240	7,081,240
Total	-	-	7,081,240	7,081,240
At 30 June 2024				
Trade payables	-	-	8,825,809	8,825,809
Provisions	348,000	-	-	348,000
Total	348,000	-	8,825,809	9,173,809

Notes To The Financial Statements (Continued)

(iii) Market risk

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

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

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

a) 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 does not manage foreign exchange risk from future commercial transactions. The company does not transact in foreign currencies.

Notes To The Financial Statements (Continued)

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.

No analysis was performed during the year under review.

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

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

observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year.

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. The entity capital structure comprises of the following funds:

Description	2023/2024	2022/2023
	Kshs	Kshs
Revaluation reserve	10,098,623	10,098,623
Retained earnings	(86,088,907)	(80,231,415)
Ordinary Share Capital	35,049,935	35,049,935
Total Funds	(40,940,349)	(35,082,857)
Total Liabilities	56,576,696	54,803,349
Less: Cash and Bank balances	(90,016)	(3,918)
Net Debt/(Excess Cash and Cash Equivalents)	56,486,680	54,799,431
Gearing		

33. Incorporation

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

34. Events after the Reporting Period

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

22. Appendices

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1. Long outstanding Trade and Other Receivables	The statement of financial position reflects trade and other payables balance of Kshs. 2,891,579 as disclosed in Note 12 to the financial statements. Review of the debtors ageing analysis and debtors' ledger reflects that the whole amount of trade and other receivables is long overdue. The debts have been outstanding between twelve (12) months and eighty-four (84) months. However, the Company did not make any general provisions for bad debts except a specific bad debt provision	Provisions for bad debts has been made.	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>of Kshs.17, 621 which is insignificant considering that the receivables reflected in the statement of financial position are long outstanding.</p> <p>In the circumstances, accuracy, completeness and recoverability of trade and other receivables of Kshs. 2,891,579 could not be confirmed.</p>			
<p>2. Unsupported National Irrigation Authority Current Account</p>	<p>The statement of financial position reflects NIA current account balance of Kshs. 47,722,109 as disclosed in Note 17 to the financial statements. The amount relates to historical and current transactions between the Company and National Irrigation</p>	<p>The figure of Kshs.47,722,109 under NIA current Account whose support documents were not provided during the audit</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Authority. However, the amount was not supported with creditors' statements and necessary correspondences between the two entities. Further, the amount has been long outstanding with a marginal increase of Kshs. 26,836 from the previous year balance of Kshs. 47,695,273.</p> <p>In the circumstances, the accuracy and completeness of Nia current account balance of Kshs. 47,722,109 could not be confirmed</p>	<p>review are now available for review</p>		
3. Long Outstanding Trade and Other Payables	<p>The statement of financial position reflects trade and other payables balance of Kshs. 7,081,240 as disclosed in Note 18 to the financial</p>	<p>The balance of Kshs. 1,616,329 refers to staff liabilities for the financial year under</p>	Resolved	30/06/2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>statements. The balance includes other payables of Kshs. 2,660,580 out of which Kshs. 1,616,329 are salary arrears outstanding for sixteen (16) months. In addition, the balance includes audit fees of Kshs. 2,706,512, outstanding withholding tax with Kenya Revenue Authority (KRA) of Kshs. 379,828 which has been outstanding for several years. However, this balance reflected in the books of the Company differed with Kenya Revenue Authority's records which reflected outstanding taxes of Kshs. 249,970. The resulting difference of Kshs. 129, 858 has not been explained or reconciled.</p>	<p>review. The management has cleared the outstanding payables within the current financial year 2024/2025.</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>Management has not explained how they intend to clear these balances in view of losses made over the years. In 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, accuracy, completeness and full settlement of outstanding payables of Kshs. 7,081,240 could not be confirmed.</p>			
4. Inconsistencies in Share Capital	The statement of financial position reflects share capital balance of Kshs.35,049,935 as disclosed in Note	The figure of Kshs.35,049,935 differs from that	Not resolved	30/06/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>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 (NA) shareholding Kshs. 25,200,000 or 71.9% of the total shares but the Company's Board Meeting held on 23 June, 2020 indicates 76.5% of 310,800 shares valued at Kshs. 31.1 million. Further, between the two sets of records. Management Attributes the difference to shares acquired by farmers which are not</p>	<p>available at the Registrar of Companies because of the payment which were made by the farmers but the changes are still outstanding at the Registrar's office. The management is pursuing with the office of the Registrar to ensure that the changes are effected.</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>reflected in the Registrar’s records. However, no documentary evidence was availed by management, for audit verification. Further, the National Irrigation Authority (NA) owns shares valued Kshs. 25,200,000 representing 71.9% of the total shares of the Company, as disclosed in Note 14 of the financial statements.</p> <p>However, according to minutes of the, the NIA shareholding is 76.5% of the Company’s 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, 2021, was not provided for audit verification. In the</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	circumstances, completeness, valuation and ownership of the share capital balance of Kshs.35, 049,935 could not be confirmed.			
5. Failure to prepare a Memorandum of Understanding	The Chairman's statement on page xviii to the financial statements reflects 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 February, 2024 revealed that the installation of rice mill had been done though the machine remained idle with no rice milling going on. In addition, there was no Memorandum of Understanding between the Company	The management has agreed with the County Government on the way forward.	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>and County Government of Kisumu on the usage of the mill.</p> <p>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</p>			
<p>6. Unearned Revenue on Basmati Paddy Held in the Stores of the Company</p>	<p>Physical inspection conducted in the month of February, 2024 revealed that Western Kenya Rice Mills held seven hundred and sixty-six (766) bags of basmati paddy in the stores, some harvested in 2018 and held for more than five (5) financial years. However, the unsold paddy could have earned the Company a total amount of Kshs. 3,734,250 (766 bags</p>	<p>Management advertised twice, for the sale of this Basmati paddy in the last two years but the highest bidder failed to honour the award. Faced with this challenge, the Management is in the</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	@ Kshs. 4,875) if sold as paddy at the prevailing current market price. Further, the paddy rice may lose value over time or be destroyed if stored for a very long time.	process of milling the paddy and selling as white rice.		
7. Material Uncertainty Related to Going Concern	The statement of financial performance reflects a loss of Kshs.3, 895,600 in comparison with loss of Kshs.6, 777,856 for the comparative period leading to a decline in the retained earnings from negative Kshs.75, 164,127 in 2021/2022 to negative Kshs.80, 231,415 in the current period. This trend has continued since financial year 2016/2017 indicative that the Company may not be able to meet its	The management has adopted the approved new business plan which will see the Company's turnaround.	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>obligations as and when they fall due.</p> <p>In the circumstances, the Company's sustainability for processing and marketing milled white rice is heavily dependent on support by the Government and creditors.</p>			
8. Budgetary Control and Performance	<p>The statement of comparison of budget and actual amount reflects final revenue budget and actual on comparable basis of Kshs. 38,917,500 and Kshs.254, 530 respectively, resulting under-collection of revenue of Kshs. 38,662,970. Similarly, the Company spent Kshs. 4,150,130 against the budgeted expenditure of Kshs.</p>	<p>The Company does not receive any external funding but from internally generated revenues. From the statement of comparison of Budget and Actual amounts, it is evident that both the under-funding and</p>	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	38,917,500 resulting to under-expenditure of Kshs. 34,767,370 of 89% of the budget. The under-collection and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.	under-performance of revenue and expenditure are within the allowable limit of 10%.		
10. Lack of Financial Policy on Debt Collection	The statement of financial position reflects trade and other payables balance of Kshs. 2,891,579 as disclosed in Note 12 to the financial statements. Included in the balance, are trade debtors who owe the Company Kshs. 2,857,095. Review of debt collection policies revealed that there was no documentary evidence in the form of an approved	The Finance Policy and Procedure Manual that had not been approved by the Board is now approved, signed and in use.	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>accounts receivable financial policy and signed by the Board to show how overdue debt from customers can be dealt with or addressed. This was contrary to Regulation 165 (1b) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall ensure that the national government entity develops a system of risk management and internal control that builds robust business operations. In the circumstance, Management was in breach of the law.</p>			
<p>11. Non-remission of</p>	<p>The statement of financial position and as disclosed in Note 18 reflects</p>	<p>Statutory Deductions made against</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Statutory Deductions Made Against Employment Income</p>	<p>an amount of Kshs. 7,081,240 as trade payables. Review of these amounts revealed that a total of Kshs. 135,648 remained outstanding in relation to NSSF and NHIF for periods spanning more than thirty (30) days contrary to Regulation 23(2a) of Public Finance Management (National Government) Regulations, 2015 that provides an addition to the responsibilities of Accounting Officers provided for in the Act, an Accounting Officer designated under the Constitution, the Act or any other Act shall comply with any tax, levy, duty, pension, commitments and audit commitments</p>	<p>Employment Income and audit fees which were outstanding in the year under review 2023/2024 have been settled within the current financial year 2024/2025.</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>as may be provided for by legislation. In addition, included in this amount is audit fees amounting to Kshs. 2,706,512 which has been outstanding for long contrary to Section 41. (1) of the Public Audit Act, 2015 which states that the funds of the office of the Auditor-General shall consist of (c) audit fees charged at the rates prescribed by the Auditor-General. In the circumstance, Management was in breach of the law.</p>			
<p>12. Outstanding Salary Arrears</p>	<p>Included in the balance of trade payables of Kshs. 7,081,240 as disclosed in Note 18 to the financial statements is an amount of Kshs.</p>	<p>The outstanding staff salaries of Kshs. 1,616,329 which was outstanding has now</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	1,616, 329 in respect to salary arrears which had not been paid to the staff as at 30 June, 2023. Audit inspection carried revealed that the staff had not been paid for over one year, an indicator that, the staff are suffering from pecuniary embarrassment as a result not able to meet their financial obligations as and when they fall due. In the circumstance, low morale of the staff could be affecting productivity and service delivery to the citizens.	been settled within the current financial year 2024/2025.		
13. Lack of Audit Committee	Review of effectiveness of internal controls revealed that the Company does not have an audit committee. Although the Company uses the	The Company has not been able to form an audit committee based on the lean	Resolved	


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>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 process. In the circumstance, the effectiveness of internal controls risk management of the Company could not be confirmed.</p>	<p>number of the board. Which comprises of three (3) no. representation of the farmers and the government as hereby highlighted;</p> <p>i. The Chairman who is also the Chairman of National Irrigation Authority (NIA).</p> <p>ii. The Managing Director.</p> <p>iii. A representative of the</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		Principal Secretary, Ministry of Finance. iv. A representative of the Principal Secretary, Directorate of Irrigation, Ministry of Water, Sanitation and Irrigation. v. A representative of the Inspectorate of State Corporations. vi. One representative from Ahero Irrigation Scheme.		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		<p>vii. One representative from Bunyala Irrigation Scheme.</p> <p>viii. One representative from West Kano Irrigation Scheme</p>		
<p>14. Anomalies In Asset Management</p>	<p>Physical inspection conducted in the month of February, 2024 revealed that, two (2) vehicles KAE 685E and KBP 447A which were in serviceable condition were grounded. It was not clear why the vehicles had private number plates instead of blue number plates which are stipulated for state owned corporations. Additionally, it</p>	<p>i. The two (2) vehicles KAE 685E and KBP 447A bear private number plates based on the understanding that Western Kenya Rice Mills Ltd. is a registered Company</p>	<p>Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>was observed that the company's office block, security house and ablution block had developed huge cracks thus posing danger to the users of those families.</p> <p>In the circumstance, the efficiency and optimal utilization of these assets could not be confirmed.</p>	<p>under the Companies Act, 2015.</p> <p>ii. The Management has plans of renovating the Company's office block, Security house and ablution block once it is able to generate revenue.</p>		


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Eng. Charles Muasya, *MBS*

Managing Director

Date *30/7/2024*

