

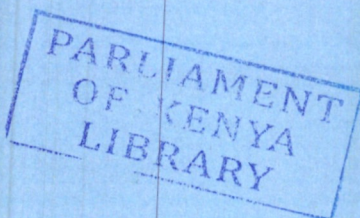
REPUBLIC OF KENYA



Paper laid
By Hon Aden Duale (MP)
(L.O.M) on 12.10.2017 (pm)

OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
MWEA RICE MILLS LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2016**

MWEA RICE MILLS LIMITED

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

30TH JUNE 2016

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

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COMPANY PROFILE

BACKGROUND

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

Principal Activities

The major activities of MRM Ltd are buying, processing, marketing and storage of paddy from the Mwea Irrigation Scheme. The company has two milling units with an installed capacity of 5 tonnes per hour which is sufficient to handle the entire paddy produced in Mwea Irrigation settlement and adjoining regions. The company also boasts of long experience in processing and marketing of rice – products.

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

Directors

The directors who served the entity during the year are listed under pages 4 to 8.

BOARD'S PROFILE

DR EKAL CHARLES IMANA-CHAIRMAN



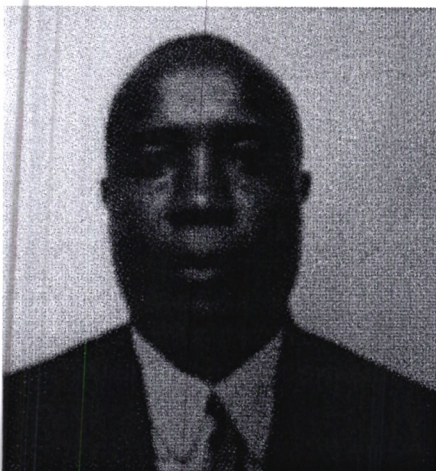
Dr. Ekal Charles Imana joined company as the chairman of the Company on 31st May, 2016. He is a holder of PhD in department of Geological Sciences, Geophysics Option from UTEP. Master of Science, Department of Physics, Geophysics Option from UTEP. Alternative Certification, Department of Education, UTEP. Bachelor of Science, Department of Physics, University of Nairobi, Kenya. S1 Science, Science Education, Kenya Science Teacher's College. He is currently an instructor, Department of Geological Sciences, UTEP, GEOL 5315: Selected topics in Geological Sciences (Hydraulic Fracturing, Rocks and Minerals, Earth Structures, Environmental Science). He worked as a teaching Assistant in Dept. of Geological Sciences and Physics at, UTEP. He is a Dual Credit Physics, Dual Credit Astronomy and Chemistry teacher at Andres High School, He has also taught at Horizon High School, Canutillo High School Mont wood High School, Northwest Early College High School, El Paso Community College, Santa Theresa and Zaragoza Campuses, El Paso TX and lecturer at Egerton University dept. of Pysics. He has certificates in English as a second language, Secondary Composite Science and Secondary Physics Science from ESL/ Supplemental, Texas Educator Certification, Texas Educator certificate and Texas Educator certificate respectively. His other achievements in publications, seminars short courses and conferences include; Khatun, S., M. C. I Ekal and D.I Doser, Gravity studies to detect faults controlling ground water movement within lower Mesilla basin, West Texas, Proceedings of the symposium on the Application of Geophysics to Environmental and Engineering Problems, SAGEEP 2003, San Antonio, Texas, paper POT01, 1184-1193,2003. Modelling Free Air Gravity Anomaly Residuals, An Alternate Method to delineate Shallow Geologic Features that May Control ground water Quantity and Quality in the Southern Mesilla Bolson, West Texas Geological Sciences, University if Texas El Paso, Texas, South-Central Section-36th Annual Meeting. Structures of the North-East African Rift, 1993 Colloquium, dept. of Geological Sciences, University of Texas at El Paso. Comparison of the structures of the Rio Grande and East African Rift, Colloquium, dept. of Geological Sciences, University of Texas at El Paso, American Geological Union Annual Meeting, San Francisco, California, Log Evaluation Techniques For Carbonate Reservoirs, Texas Tech University, Lubbock, Texas and Exchange Student, University of Nairobi to Ecole Polytechnic de Lausanne, Switzerland..

MR. GITONGA MUGAMBI MANAGING DIRECTOR



Mr. Gitonga Mugambi is a holder of B.Sc. in Agriculture from University of Nairobi. He is currently undergoing MBA classes in Strategic Management. Mr. Mugambi is a well accomplished agriculture expert, having gathered experience of over 27 years in Planning and Design, Administration, Management, Operation and Maintenance, Policy and Strategy formulation in National Irrigation Board.

Mr. Pius Njogu Kathuri, 43 – Non Executive Director

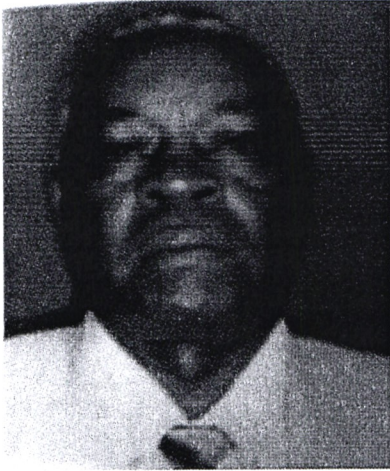


Mr. Pius Njogu Kathuri joined the company's Board in May 2008 he has since been a Non-Executive Director of the Company's Board of Directors. He sits on the Company's Board by virtue of being a Director of Rice Growers Multi-Purpose Cooperative (MRGM) the other shareholder, which is the umbrella body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

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

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

Mr. Harisson Mutugi Mathindi, – Non Executive Director



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

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

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

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



Mr. Charles Kairu – Alternate to Permanent Secretary, Ministry of Finance, Non-Executive Director



Edwin Irungu Gikunju



Edwin Irungu Gikunju is a holder of BSc horticulture from Jomo Kenyatta University of Agriculture and Technology. He served as the General Manager with Hangzhou Agrochemical Industries Ltd, and a Managing Director with Eurochem International Ltd. He served as a sales representative with Osho Chemical Industries Ltd. He served as a Board Member at Mary Hill Girls High School.

Carol Gatwiri Mugwongo



Carol Gatwiri Mugwongo is a holder of post graduate diploma in Project Planning and Management and Bachelor of Arts in Economics and Sociology, both from University of Nairobi. Her studies for masters in Arts in Rural Sociology and Community Development in the University of Nairobi are on-going. She has been serving as a planning and management consultants with Base Mark Consulting. She served as corporate sales and marketing manager with Interchange Kenya Ltd.

FIDUCIARY OVERSIGHT ARRANGEMENTS

AUDITORS

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

LAWYERS

Liliani G. Kimani
Agip House, 5th Floor
Nairobi

BANKERS

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

Barclays Bank of Kenya
P.O. Box 88
Embu.

Kenya Commercial Bank
P.O. Box 393
Wanguru.

REGISTERED OFFICE

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

FACTORY

Wanguru
P.o.Box 80
WANGURU

SECRETARIAT MANAGEMENT

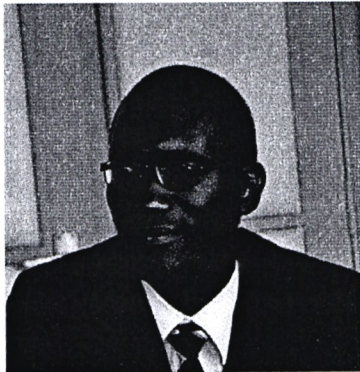
The Secretariat team comprises of the General Manager and top management as follows:

MR. GITONGA MUGAMBI MANAGING DIRECTOR



Mr. Gitonga Mugambi is a holder of B.Sc. in Agriculture from University of Nairobi. He is currently undergoing MBA classes in Strategic Management. Mr. Mugambi is a well accomplished agriculture expert, having gathered experience of over 27 years in Planning and Design, Administration, Management, Operation and Maintenance, Policy and Strategy formulation in National Irrigation Board.

DENNIS BANDA AROKA MBA, FCPS (K) - COMPANY SECRETARY



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

CHAIRMAN'S MESSAGE

In the current financial year, the Performance of Mwea Rice Mills has reduced from an annual turnover of KShs.76.3m to KShs.50.8 m. The cost of production has equally reduced in tandem with the turnover from KShs.74.1m to KShs.43.8m.

The decrease in turnover has been attributed to competition from other millers who have increased their capacity at strategic beacons near the main road.

Additional costs are attributed to cost of power and labour which the mills are working on how to counter act this.

In order to turn around the negative performance, the company is working on a number of strategies.

These include intensive marketing of its milled rice, reduction of labour and power costs through more efficient ways of milling, marketing of other by products, value addition on rice products and increase rental income in the company's properties.

The company is also planning to develop a go-down on the plot on the Embu road so as to retain some of its milling customers lost due to competition.

CEO's MESSAGE

In the current year, the performance of the mill has been depressed due to heavy cost of milling due to power tariff change by KPLC which led to additional cost of production. However, the company is working on strategies which will allow it to continue being the dominant miller in the area. The future plans of the company is bright as there are assets whose focus is being directed to boost income especially the buildings in Nairobi that have been receiving depressed income.

Likewise, due to the good quality of rice that is being milled, efforts are being put in place to market the product in new markets.

CORPORATE GOVERNANCE STATEMENT

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

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

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

CSR (CORPORATE SOCIAL RESPONSIBILITY)

During the financial year 2015/2016, the company visited Joy Rescue Children Center in Wanguru town and donated 200kgs of rice. Valued at Ksh. 28,000/= in support of the feeding program at the children Center. This Center is a children's home which takes care of the homeless and less fortunate children in the society and relies on the support of well-wishers to run its programs.

STATEMENT OF DIRECTOR'S RESPONSIBILITY

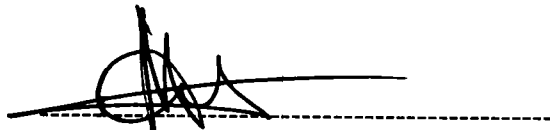
The Companies Act requires the directors to prepare financial statement for each financial year, which gives a true and fair view of the state of affairs of the board as at the end of the financial year and of its operation results for that year. It also requires the directors to ensure the company keeps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

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

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

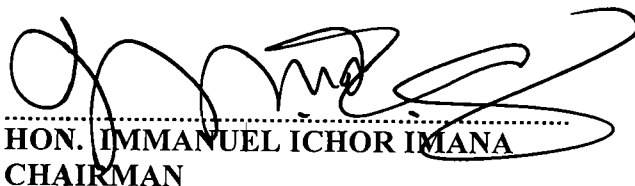
Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

The Financial Statements have been signed on its behalf by:



MR. GITONGA MUGAMBI
Ag. MANAGING DIRECTOR

DATE 25/04/17



HON. IMMANUEL ICHOR IMANA
CHAIRMAN

DATE 25/04/2017

REPORT OF THE DIRECTORS

The directors submit this report together with the financial statements for the year ended 30th June 2016.

Principal activities

The principal activities of the entity are buying, processing, marketing and storage of paddy from the Mwea Irrigation Scheme.

Results

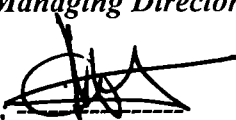
The results of the entity for the year ended June 30th 2016 are set out on page 2 of the financial statements.

Auditors

Kenya National Audit Office audits the accounts of MRM Ltd.

Ag. Managing Director

Date,

A handwritten signature in black ink, appearing to be 'JWA', written over a horizontal line.

REPUBLIC OF KENYA

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Fax: +254-20-311482
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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MWEA RICE MILLS LIMITED FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Mwea Rice Mills Limited set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 48 of the Public Audit Act, 2015.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 49 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Report of the Auditor-General on the Financial Statements of Mwea Rice Mills Limited for the year ended 30 June 2016

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

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

(i) Undepreciated Assets

As previously reported, the property, plant and equipment balance of Kshs. 45,159,961 as at 30 June 2016 includes a balance of Kshs.9,156,781 relating to buildings which are fully depreciated and have not been revalued in accordance with paragraph 31 of the International Accounting Standards No. 16 which provides that revaluations shall be carried out with sufficient regulatory to ensure that the carrying asset amounts do not differ materially from those which would be determined using fair values at the end of the reporting period. Paragraph 34 of the Standard further provides that where some items of property plant and equipment experience significant and volatile changes in fair value, annual valuations need to be carried out.

As a result of the omission, it has not been possible to confirm that the balance of Kshs.45,159,961 represented the fair value of the property, plant and equipment of the Company.

(ii) Under-charge of Depreciation

The depreciation charge for the year amounting to Kshs.5,606,389 is arrived at using reducing balance method while Note 1 to the financial statements proposes the straight line method. The depreciation charge is therefore understated by Kshs.16,266,402. Were the proper method of depreciation used in the statement of comprehensive income, the surplus of Kshs.1,577,834 would, instead, have been reflected as a deficit of Kshs.14,688,568.

In the circumstance, it has not been possible to confirm the accuracy of the surplus balance and that the carrying values of assets, as stated in the financial statements, reflect the fair value of the Company's property, plant and equipment.

2. Investment Property

(i) Valuation of Investments in Property

As disclosed in Note 3 to the financial statements, the investments in property of Kshs.119,837,933 as at 30 June 2016 are carried in the financial statements at the amount that was last valued in 2009. This is contrary to the provisions of the International Accounting Standards No. 16. The standard requires an entity that elects to use revaluation model as the measurement model of fixed assets to ensure that the assets are revalued regularly so as to reflect the market prices at

the end of each reporting period. Consequently, it has not been possible to confirm whether the carrying values of Kshs.119,837,933, as stated in the financial statements, reflect the fair values of the investments in property.

(ii) Plots without Ownership Documents

As reported previously, Note 3 to the financial statements reflects an amount of Kshs. 119,837,933 relating to investments. Audit verification revealed that the figure relates to residential buildings located in Mwea and owned by the company. However, the title deeds that management made available for audit review were in the name of another company (Taws Ltd) and not Mwea Rice Mills. Consequently, the validity and ownership of the investment properties of Kshs.119,837,933 could not be confirmed.

(iii) Composition of the Board

During the year under review, the Company did not have a properly constituted Board as required under the Company's Act. Consequently, there were no Board meetings contrary to Section 8 of the State Corporations' Act Cap 446 which requires a minimum of four (4) Board meetings in each financial year. In the absence of the Board and Board meetings, it has not been clear how the affairs of the Company were managed during the year under review.

3. Trade and Other Receivables

As reported previously, trade and other receivables' balance of Kshs.17,087,334 as at 30 June 2016 includes fixed deposits in Continental Credit Finance (in liquidation) of Kshs.16,815,053. Although management has made full provision for the balance whose recoverability remains doubtful, no explanation has been provided on the action taken to recover the amount from the Receiver Manager.

4. Long-term Liabilities

As reported previously, long term liabilities' balance of Kshs.74,647,904 as at 30 June 2016 includes a Government proposed levy balance of Kshs.22,037,370 that has remained unsettled for more than 28 years. Further, the company has no credit policy to regulate credit management. In addition, no documentary evidence has been provided to support the liability.

Consequently, the accuracy and completeness of the long-term liability of Kshs.74,647,904 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Mwea Rice Mills Limited as at 30 June 2016, 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 Kenyan Companies Act.

Other Matter

Rental Income

Mwea Rice Mills Limited owns twenty three houses along Lenana Road in Nairobi. These are; 10 four-bedroom houses, with five of them partitioned into two bedroom units and hence occupied by two tenants each; nine (9) three-bedroom and four one-bedroom houses. Further, enquiries reveal that the tenants repaired the gymnasium during the financial year under review and deducted the costs of the repairs from rent payable each month yet no rent is collected from the gymnasium.

Further, in comparison with the market rates which range between 150,000 and 200,000 for such houses, the rent is grossly understated and therefore represents a loss of public funds. The management has not put in place mechanisms to investigate and reverse the loss of rental income.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

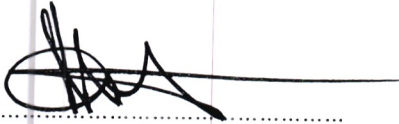
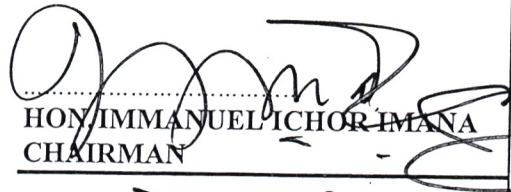


FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 June 2017

MWEA RICE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

ASSETS	NOTES	2016 KSHS	2015 KSHS
<u>NON CURRENT ASSETS</u>			
Property, plant & Equipment	2	45,159,961	47,824,488
Investment Property	3	119,837,933	124,891,330
		<u>164,997,894</u>	<u>172,715,818</u>
<u>CURRENT ASSETS</u>			
Inventories	4	60,614,979	70,706,765
Trade and Other Receivables	5	17,087,334	6,693,672
Cash and Cash Equivalent	6	56,714,803	48,787,692
Kenya Revenue Authority	7	1,952,021	1,952,021
		<u>136,369,137</u>	<u>128,140,150</u>
TOTAL ASSETS		<u>301,367,031</u>	<u>300,855,968</u>
<u>CAPITAL FUNDS, RESERVES & LIABILITIES</u>			
Share Capital	8	5,000,000	5,000,000
General Reserve	10	8,700,000	8,700,000
Revaluation Reserve	11	119,532,372	124,573,036
Accumulated Profit/(Loss)	12	51,561,484	49,983,650
		<u>184,793,856</u>	<u>188,256,686</u>
<u>LONG-TERM LIABILITIES</u>			
Capital Fund for Mill Rehabilitation	9	52,610,534	52,610,534
Government proposed levy **	14	22,037,370	22,037,370
		<u>74,647,904</u>	<u>74,647,904</u>
<u>CURRENT LIABILITIES</u>			
Trade and Other Payables	13	41,925,271	37,951,378
		<u>41,925,271</u>	<u>37,951,378</u>
TOTAL EQUITY & LIABILITIES		<u>301,367,031</u>	<u>300,855,968</u>
 MR. GITONGA MUGAMBI Ag. MANAGING DIRECTOR		 HON. IMMANUEL ICHORIMANA CHAIRMAN	
DATE... 28/04/2017		DATE... 28.4.2017	

MWEA RICE MILLS LIMITED
STATEMENT OF COPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	NOTES	2016 KSHS	2015 KSHS
Turnover	15	50,884,196	76,372,701
Cost of sales	16	(43,845,548)	(74,114,249)
		<hr/>	<hr/>
Gross profit/(Loss)		7,038,647	2,258,452
Other Income	17	7,121,058	8,098,922
Investment income	18	7,763,796	7,258,746
Administrative expenses	19	(16,186,630)	(10,194,603)
Other expenses	20	(3,482,822)	(5,846,725)
Profit (loss) before Taxation		2,254,049	1,574,793
Tax provision (30%)		676,215	(544,942)
Profit (Loss) for the year		<u>1,577,834</u>	<u>1,029,851</u>

MWEA RICE MILLS LTD

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE, 2016

	2016 KSHS	2015 KSHS
<u>Operating Activities</u>		
Surplus	1,577,834	1,029,850
Adjustment for non cash items		
Depreciation	5,623,288	5,715,331
Loss on disposal	8,330	-
Operating profit before working capital changes	7,209,452	6,745,181
<u>Working Capital changes</u>		
- (Increase)/Decrease in Inventories	10,091,785	39,576,103
- (Increase)/Decrease in Receivables	(10,393,662)	(741,612)
- Increase/(Decrease) in Payables	3,973,893	(4,862,518)
Net cash from operating activities	10,881,468	40,717,154
<u>Investing activities</u>		
Additions on (computers)	(2,954,357)	(59,992)
Net Cash from investing activities	(2,954,357)	(59,992)
<u>Financing activities</u>		
Net Cash from financing activities		
Net increase/(decrease) in Cash & Equivalent fi year	7,927,111	40,657,162
Cash & Cash Equivalent at the beginning of the year	48,787,692	8,130,530
Cash & cash equivalent at the end of the year	56,714,803	48,787,692

MWEA RICE MILLS LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Share Capital Kshs	General Reserves Kshs	Accumulated Profits	Capital Fund Kshs	Revaluation Reserves Kshs	Total Kshs
As at 30 June 2014	5,000,000	8,700,000	48,953,799	52,610,534	131,158,394	246,422,727
As at 1st July 2014	5,000,000	8,700,000	48,953,799	52,610,534	131,158,394	246,422,727
Profit and Loss account Amortization			1,029,851		-	1,029,851
At 30 June 2015	5,000,000	8,700,000	49,983,650	52,610,534	124,573,036	240,867,220
As At 1 July 2015	5,000,000	8,700,000	49,983,650	52,610,534	124,573,036	240,867,220
Profit and Loss account Amortization			1,577,834		-	1,577,834
As at 30 June 2016	5,000,000	8,700,000	51,561,484	52,610,534	119,532,372	237,404,390

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016**

1 ACCOUNTING POLICIES

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

(a) Statement of compliance and basis of preparation

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

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

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

(b) Revenue recognition

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

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

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

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

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

Other income is recognised as it accrues.

© **Intangible assets**

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

(d) **Investment property**

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

(e) **Trade and other receivables**

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

(f) **Taxation**

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

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

(g) **Trade and other payables**

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

(h) **Retirement benefit obligations**

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

(i) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

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

There were no significant judgements and estimates made during the financial year ended 30th June 2016

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

i **Market risk**

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

ii **Credit risk**

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

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

iii **Liquidity risk**

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

(l) Property Plant and Equipment

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

There is no depreciation charged on the sewerage disposal system. Depreciation or amortisation on the other assets is calculated on straight line method:-

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

(m) Inventories

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

(n) Cash and cash equivalents

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

MWEA RICE MILLS LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2016

2. PROPERTY, PLANT & EQUIPMENT

	BUILDINGS KSHS.	PLANT & MACHINERY KSHS.	WORKSHOP TOOLS KSHS.	SEWERAGE DISPOSAL KSHS.	MOTOR VEHICLES KSHS.	FURNITURE & EQUIPMENT KSHS.	COMPUTERS KSHS.	LAND KSHS.	TOTAL KSHS.
COST:									
AS AT 01.07.2014	13,016,330	121,571,863	202,461	2,080,313	3,874,112	1,308,022	-	280,000	142,333,101
ADDITIONS	-	36,315,268	-	-	-	-	-	-	36,315,268
DISPOSAL	-	-	-	-	-	-	-	-	-
AS AT 30.06.2015	13,016,330	157,887,131	202,461	2,080,313	3,874,112	1,308,022	-	280,000	178,648,369
DEPRECIATION:									
AS AT 01.07.2014	9,311,163	111,802,754	202,429	-	3,230,947	1,134,667	-	-	125,681,959
CHARGE FOR THE YEAR	367,678	4,591,773	4.00	-	160,798	21,669	-	-	5,141,922
ADJUSTMENTS	-	-	-	-	-	-	-	-	-
DISPOSAL	-	-	-	-	-	-	-	-	-
AS AT 30.06.2015	9,678,841	116,394,527	202,433	-	3,391,745	1,156,336	-	-	130,823,881
N.B.V 30.06.2015	3,337,489	41,492,604	28	2,080,313	482,367	151,686	-	280,000	47,824,488
COST:									
AS AT 01.07.2015	13,016,330	157,887,131	202,461	2,080,313	3,874,112	1,308,022	-	280,000	178,648,369
ADDITIONS	-	15,000.00	-	-	-	434,405.00	2,504,952	-	2,954,357
DISPOSAL	-	-	-	-	1,894,112	-	-	-	1,894,112
AS AT 30.06.2016	13,016,330	157,902,131	202,461	2,080,313	1,980,000	1,742,427	2,504,952	280,000	179,708,614
DEPRECIATION:									
AS AT 01.07.2015	9,678,841	116,394,527	202,433	-	3,391,744	1,156,336	-	-	130,823,881
CHARGE FOR THE YEAR	148,223	4,592,236	4.00	-	156,624	107,008	602,294	-	5,606,389
ELIMINATION OF ACCM.	-	-	-	-	-	-	-	-	-
DEP. ON DISPOSALS	-	-	-	-	1,885,782	-	-	-	1,885,782
CHARGE ON DISPOSALS	-	-	-	-	4,165	-	-	-	4,165
AS AT 30.06.2016	9,827,064	120,986,763	202,437	-	1,666,751	1,263,344	602,294	-	134,548,653
NET BOOK VALUE:									
AS AT 30.06.2016	3,189,266	36,915,368	24	2,080,313	313,249	479,083	1,902,658	280,000	45,159,961
AS AT 30.06.2015	3,337,489	41,492,604	28	2,080,313	482,367	151,686	-	280,000	47,824,488

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016**

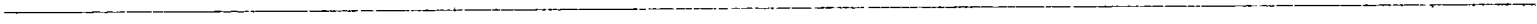
3 INVESTMENT PROPERTY

	KSHS
Cost/Revaluation	
As at 1st July 2014	183,500,000
Revaluation	-
As at 30th June 2015	183,500,000
Depreciation	
As at 1st July 2014	51,449,903
Revaluation	6,585,358
Charge for the year	573,409
As at 30th June 2015	<u>58,608,670</u>
N.B.V as at 30th June 2015	<u>124,891,330</u>
Cost/Revaluation	
As at 1st July 2015	183,500,000
Revaluation	-
As at 30th June 2016	183,500,000
Depreciation	
As at 1st July 2015	58,608,670
Charge for the year	5,040,664
Charge for the year on cost	12,733
As at 30 th June 2016	<u>63,662,067</u>
N.B.V as at 30th June 2016	<u>119,837,933</u>
N.B.V as at 30th June 2015	<u>124,891,330</u>

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

4 INVENTORIES

	2016 KSHS	2015 KSHS
Spare parts	16,646,789	16,564,519
Bags and packing materials	3,221,548	3,190,162
General store	153,574	154,252
Rice paddy	38,110,800	48,808,428
Milled Rice	2,422,560	1,941,200
Stationery Store	59,709	48,204
	<u>60,614,979</u>	<u>70,706,765</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016**

	2016	2015
	KSHS	KSHS
5 TRADE AND OTHER RECEIVABLES		
Trade debtors	16,994,335	6,349,697
Staff debtors	30,792	281,767
Interest from Bank receivable	3,606,821	3,606,821
Refundable deposits	80,920	80,920
Continental Credit Finance (under receivership)	16,815,053	16,815,053
	<u>37,527,921</u>	<u>27,134,258</u>
 LESS PROVISION FOR DOUBTFUL DEBTS		
Provision on interest from deposits	3,606,821	3,606,821
Provision on trade debtors	18,712	18,712
Provision on Continental Credit Finance	16,815,053	16,815,053
	<u>20,440,586</u>	<u>20,440,586</u>
	<u>17,087,334</u>	<u>6,693,672</u>

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

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

Other Receivables includes KRA and Continental Credit Finance

	2016	2015
	KSHS	KSHS
6 CASH & CASH EQUIVALENT		
Bank Current Account (NBI)	11,909,587	4,307,904
Bank Current Account (EMBU)	22,313	212,025
KCB Wanguru	44,046,191	43,715,557
Cash in hand - factory imprest	736,713	552,206
	<u>56,714,803</u>	<u>48,787,692</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

7 TAXATION (KRA)	2016 KSHS	2015 KSHS
Balance brought forward	<u>(1,952,021)</u>	<u>(1,952,021)</u>
Balance carried forward	<u>(1,952,021)</u>	<u>(1,952,021)</u>

Since the tax of ksh.8,784,785 was calculated and agreed by the tax consultant and KRA, the amount was transferred to debtors account.

8 SHARE CAPITAL	2016 KSHS	2015 KSHS
Authorised and fully paid 250,000 ordinary shares of Kshs 20/= each. The shareholding is as follows :	5,000,000	5,000,000
National irrigation Board - 55%		
Mwea Rice Mills Ltd - 45%		
Mwea Rice Mills Ltd - 45%		

9 CAPITAL FUND FOR MILL REHABILITATION

Capital Fund Ksh.52,610,534.00 for mill rehabilitation is a levy based on kilograms of rice milled for National Irrigation Board by Mwea Rice Mills. The levy was to be used for rehabilitating the mills. The Board has shed off non core functions like processing and marketing of rice and therefore the levy is no longer chargeable.

10 GENERAL RESERVE

The Company used to transfer part of its profits made to the general Reserve and would utilise such reserves to pay dividends when the Company made losses. An amount of Kshs 8,700,000.00 remains unutilised todate.

11 REVALUATION RESERVE	2016 KSHS	2015 KSHS
Revaluation of Maisonettes	90,168,008	94,934,598
Revaluation of Leader House	34,405,028	36,223,796
Depreciation of Revalued assets	<u>(5,040,664)</u>	<u>(6,585,358)</u>
Net book Value	<u>119,532,372</u>	<u>124,573,036</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016**

12	ACCUMULATED PROFIT/(LOSS)	2016	2015
		KSHS	KSHS
	Balance b/f	49,983,650	48,953,799
	Profit/(loss) for the year	1,577,834	1,029,851
	Balance c/f	<u>51,561,484</u>	<u>49,983,650</u>
13	TRADE AND OTHER PAYABLES	2016	2015
		KSHS	KSHS
	Audit fees provision	348,000	580,000
	Tax provision	1,221,156	544,942
	NIB current account (Inter-company - Creditors)	38,652,670	36,659,598
	Trade	1,723,445	166,838
		<u>41,925,271</u>	<u>37,951,378</u>
	NON- CURRENT LIABILITY	2016	2015
		KSHS	KSHS
14	Government proposed levy **	<u>22,037,370</u>	<u>22,037,370</u>
		<u>22,037,370</u>	<u>22,037,370</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

15	TURNOVER	2016	2015
		KSHS	KSHS
	Basmati paddy sales	7,558,460	34,721,710
	Broken rice sales	241,600	422,747
	Basmati packets sales	12,123,760	12,314,692
	Bran meal sales	7,096,419	6,576,656
	Chicken feed sales	1,008,735	525,070
	Milling Income	22,855,222	21,811,026
	Sales of course bran	-	800
		<u>50,884,196</u>	<u>76,372,701</u>

Basmati packets sales for the 2014/15 have been restated in respect of sales invoices which had been wrongly treated as cash sales. The figure had overstated the sales and debtors in 2014/2015 financial year by Ksh. 241,680.

16	COST OF SALES	2016	2015
		KSHS	KSHS
	Paddy to mills	19,534,643	47,328,669
	Salaries and Wages- Casuals	5,835,300	6,752,433
	Salaries and Wages- Production/ Overtime	348,958	375,187
	Electricity	10,040,459	7,595,492
	Buildings mtce -General	533,945	2,185,851
	Buildings mtce - Stores	96,440	15,466
	Depreciation - Buildings	148,223	367,678
	P & M Maintenance - mill IV	-	62,000
	P & M Maintenance - miscellaneous	1,061,207	1,199,125
	Depreciation - Equipment	4,592,236	4,591,773
	Bags and Packing materials	397,412	2,078,891
	P & M Maintenance - mill 2	-	581,969
	P & M Maintenance - mill 5	504,935	791,691
	P & M Maintenance - mill 6	751,792	188,025
		<u>43,845,548</u>	<u>74,114,249</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

17 OTHER INCOME	2016 KSHS	2015 KSHS
Rental Income	2,670,870	994,830
Miscellaneous Income	1,124,392	5,778,092
Interest Income	1,650,048	-
Storage Income	1,675,748	1,326,000
	<u>7,121,058</u>	<u>8,098,922</u>
18 INVESTMENT INCOME	2016 KSHS	2015 KSHS
Gross Income	<u>7,763,796</u>	<u>7,258,746</u>
	<u>7,763,796</u>	<u>7,258,746</u>
19 ADMINISTRATION EXPENSES	2016 KSHS	2015 KSHS
(a) Staff costs		
Salaries and Wages	3,298,149	2,513,376
Medical Expenses	29,999	24,999.00
House allowance	240,000	200,000.00
Leave & transfer allowance	80,845	-
Salaries & Wages-Gratuity	348,757	-
NSSF	31,200	-
sub-total	4,028,950	2,738,375
(b) Administrative costs		
Printing and Stationery	215,322	111,173
Travelling Expenses	3,282,046	2,056,473
Telephone, Postages and Sundries	475,855	274,035
Building mtce- offices	182,518	129,207
Legal & Professional fees/consultancy	232,000	417,600
Audit fees	385,120	348,000
Security services	2,440,961	207,935
Licences	100,600	76,200
Salaries & Wages-Gratuity	-	-
NSSF	-	16,200.00
Administration & accountancy fee	1,973,071	2,849,161.48
Computer expenses	467,596	23,500.00
Motor vehicle Mtce.	301,842	713,608.00
Buildings mtce - Staff houses	160,042	37,828.00
Uniforms	49,446	2,450.00
Buildings mtce - Leader houses	-	18,484.00
Buildings mtce - massionettes	1,796,878	-
Bank charges	94,382	174,373
sub-total	<u>12,157,680</u>	<u>7,456,228</u>
Total	<u>16,186,630</u>	<u>10,194,603</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

20 OTHER EXPENSES	2016 KSHS	2015 KSHS
Depreciation on Vehicles	160,789	160,797.60
Office Tea	171,953	156,154.00
Subscriptions and Periodicals	113,020	61,840.00
Water Charges	11,364	(34,916.00)
Bicycles mtce	10,800	11,700.00
Furniture & Fittings -depreciation	107,008	21,669.43
Marketing	461,000	306,400.00
General repairs & mtce	678	-
Depreciation on Computer & Accessories	602,294	-
Petrol	-	500.00
Oills & Grease	-	900.00
Diesel	516,735	762,724.00
Depreciation (Maiso & Leader Hs)	12,733	573,409.00
Leave & transfer allowance	-	36,967.00
Sewarage Depreciation	4	4.00
Rates	834,996	245,778.00
Tax Liability	471,117	3,542,798
Loss on disposal of assets	8,330	-
Total	<u>3,482,821</u>	<u>5,846,725</u>

21 RELATED PARTY TRANSACTIONS

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

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

MRM LTD**BANK ACCOUNT Details**

KCB Wanguru 1103971387

BBK Embu 0041189193

BBK Nairobi 0947035838

Fixed deposit A/C. KCB

22 CHAIRMAN'S MESSAGE

In the current financial year, the Performance of Mwea Rice Mills has reduced from an annual turnover of KShs.76.3m to KShs.50.8 m. The cost of production has equally reduced in tandem with the turnover from KShs.74.1m to KShs.43.8m.

The decrease in turnover has been attributed to competition from other millers who have increased their capacity at strategic beacons near the main road.

Additional costs are attributed to cost of power and labour which the mills are working on how to counter act this.

In order to turn around the negative performance, the company is working on a number of strategies. These include intensive marketing of its milled rice, reduction of labour and power costs through more efficient ways of milling, marketing of other by products, value addition on rice products and increase rental income in the company's properties.

The company is also planning to develop a go-down on the plot on the Embu road so as to retain some of its milling customers lost due to competition.

23 CEO's MESSAGE

In the current year, the performance of the mill has been depressed due to heavy cost of milling due to power tariff change by KPLC which led to additional cost of production. However, the company is working on strategies which will allow it to continue being the dominant miller in the area. The future plans of the company is bright as there are assets whose focus is being directed to boost income especially the buildings in Nairobi that have been receiving depressed income.

Likewise, due to the good quality of rice that is being milled, efforts are being put in place to market the product in new markets.

24 CSR (CORPORATE SOCIAL RESPONSIBILITY)

During the financial year 2015/2016, the company visited Joy Rescue Children Center in Wanguru town and donated 200kgs of rice. Valued at Ksh. 28,000/= in support of the feeding program at the children Center. This Center is a children's home which takes care of the homeless and less fortunate children in the society and relies on the support of well-wishers to run its programs.