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Leader of majority  
on 22/10/14  
Dumbi*

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF**  
**WESTERN KENYA RICE MILLS LTD**

**FOR THE YEAR ENDED**  
**30 JUNE 2013**

# WESTERN KENYA RICE MILLS LIMITED


## Statement of Directors' Responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its operating 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 responsibility 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

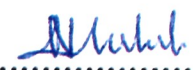
well as adequate systems of internal financial control.

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.

  
.....

ENG. D. K. BARASA  
MANAGING DIRECTOR

Date: 30/09/2013  
.....

  
.....  
MR. J. W. MWAURA  
BOARD MEMBER

Date: 30/09/13  
.....

# **WESTERN KENYA RICE MILLS LIMITED**

## **COMPANY INFORMATION**

**BOARD OF DIRECTORS:** Mr. Daniel Mule, CBS  
Eng. Daniel K. Barasa  
PS Ministry of Water & Irrigation  
PS Ministry of Finance  
Mr. Amos Owiti Owiti  
Mr. Dismas Oundo Makhulu  
Mr. Fanuel Odado Oding

**REGISTERED OFFICE:** Head office  
Lenana Road  
P.O Box 30372-00100  
NAIROBI

**FACTORY** P.O Box 1010  
AHERO

**AUDITORS** Auditor General-Kenya  
National Audit Office (KENAO)  
P.O Box 30084-00100  
NAIROBI

**LAWYERS:** Lilian G Kimani  
Agip House  
P.O Box 73076-00200  
NAIROBI

**BANKERS:** Kenya Commercial Bank Ltd  
Kencom House  
P.O Box 30081  
NAIROBI

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON WESTERN KENYA RICE MILLS LTD FOR THE YEAR ENDED 30 JUNE 2013

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Western Kenya Rice Mills Ltd set out on pages 1 to 12, which, comprise the statement of financial position as at 30 June 2013, 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

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

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) and (3) of the Public Audit Act, 2003 and submit the report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

#### **1. Financial Performance**

As reported in the year 2011/2012, the company performance in the year 2012/2013 continued to deteriorate as the company recorded a loss of Kshs.16,343,140.00 (2011/2012 Kshs.2,890,913.00) which brought its cumulative retained earnings to negative Kshs.27,669,069.00 as at 30 June 2013. The financial statements have, therefore, been prepared in the going concern basis which assumes continued financial support from the parent board.

#### **2. Property, Plants and Equipment**

As reported in 2011/2012, the property, plant and equipment balance of Kshs.7,450,211.00 as at 30 June 2013 excludes indeterminate value of a parcel of land without a title deed on which the company's buildings at Ahero in Kisumu County are located. It was not possible to confirm ownership of the land and whether the carrying values as stated in the financial statements reflect the fair values of the properties as at the statement of financial position date.

#### **3. Trade and Other Receivables**

The statement of financial position as at 30 June 2013 reflects an amount of Kshs.6,178,640.00 under Trade and Other Receivables. According to Note (4) to the financial statements, the amount includes a brought forward balance of Kshs.2,157,300.00 under Farmers Total Account, for which no analysis was provided. The total amount also includes a brought forward balance of Kshs.3,084,023.00 against Mwea Irrigation Scheme that is not reflected in the financial statements of Mwea Rice Mills. Any position that would have been necessary in relation to these uncertainties has not been incorporated in these financial statements.

#### **4. Current Liabilities**

As reported in previous years reports and as disclosed in note 13 to the financial statements, the current liabilities balance of Kshs.44,763,677.00 as at 30 June 2013 includes unpaid taxes totalling Kshs.9,715,299.00 for the years 1996, 1998 and 1999. The penalties and interest in respect of the unpaid principal tax have not, however, been incorporated in the financial statements as at 30 June 2013. This has resulted in understatement of liabilities and loss for the year under review. Under the

circumstances accuracy of the current liabilities balance of Kshs.44,763,677.00 as at June 2013 cannot be confirmed.

#### **5. Cash and Cash Equivalents**

The cash and cash equivalents balance of Kshs.5,241,803.00 as at 30 June 2013 differs with the cash book and bank balance of Kshs.4,036,285.00 by an unreconciled and unexplained difference of Kshs.1,205,518.00. In the circumstances, it was not possible to ascertain whether all bank transactions and bank balances during the year under audit cash and cash equivalents balance of Kshs.5,241,803.00 as at 30 June 2013, are fairly stated.

#### **6. Share Capital**

In the report for the year 2011/2012, it was indicated that the financial statements reflected share capital of Kshs.35,049,935.00 while the records available at the Registrar of Companies office reflected shareholding of Kshs.32,428,860.00 resulting to unexplained difference of Kshs.2,621,075.00. This anomaly has not been explained to date. In the circumstances, it has not been possible to confirm that the shareholding balance of Kshs.35,049,935.00 is fairly stated as at 30 June 2013.

#### **7. Other expenses**

The statement of comprehensive income reflects an amount of Kshs.8,293,490.00 under other expenses which as reflected in Note (20) to the financial statements, includes an amount of Kshs.6,996,096.00 described as stock loss. This amount however, has not been supported with documentary evidence. Consequently, I am unable to verify and confirm validity of the Kshs.6,996,096.00 expenditure.

#### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the basis for Qualified Opinion paragraph, the financial statements presents fairly, in the all material respects, the financial position of the company as at 30 June, 2013, and of its financial performance and cash flows for the year then ended in accordance with International Financial Report Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- 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 and statement of comprehensive income are in agreement with the books of account.



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

**Nairobi**

**7 May 2014**

# WESTERN KENYA RICE MILLS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

ASSETS	NOTE	2013 KSHS	2012 KSHS
<b><u>NON - CURRENT ASSETS</u></b>			
<b><u>PROPERTY, PLANT &amp; EQUIPMENT</u></b>	2	7,450,211	8,166,692
<b><u>CURRENT ASSETS</u></b>			
Inventories	3	33,363,889	32,462,257
Trade & Other Receivables	4	6,178,640	6,523,510
Cash & Cash Equivalents	5	5,241,803	2,065,407
MRM Current Account	7	-	74,000
		<b>44,784,332</b>	<b>41,125,174</b>
<b>TOTAL ASSETS</b>		<b>52,234,543</b>	<b>49,291,866</b>
<b><u>EQUITY &amp; LIABILITIES</u></b>			
Share Capital	8	35,049,935	35,049,935
Revaluation Reserve	9	90,000	-
Retained earnings(Loss)	10	(27,669,069)	(11,325,929)
		<b>7,470,866</b>	<b>23,724,006</b>
<b><u>CURRENT LIABILITIES</u></b>			
Trade & Other Payables	11	264,000	232,000
Sundry Creditors	12	-	-
Taxation	13	9,715,299	9,715,299
Unpaid Dividends	14	-	-
NIB Current A/C	6	34,784,378	15,620,561
MRM Current A/C	7	-	-
		<b>44,763,677</b>	<b>25,567,860</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>52,234,543</b>	<b>49,291,866</b>
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p style="text-align: center;"><i>D. K. Barasa</i> ..... <b>ENG. D. K. BARASA</b> <b>MANAGING DIRECTOR</b> DATE: <u>30/09/13</u>...</p> </div> <div style="width: 45%; text-align: right;"> <p style="text-align: center;"><i>J. W. Mwaura</i> ..... <b>MR. J.W. MWAURA</b> <b>BOARD MEMBER</b> DATE: <u>30/09/13</u>...</p> </div> </div>			

# WESTERN KENYA RICE MILLS LTD

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013 KSHS	2012 KSHS
Turnover	15	6,209,025	13,574,144
Cost of sales	16	(10,222,753)	(12,288,653)
Gross profit/(Loss)		<b>(4,013,728)</b>	<b>1,285,491</b>
Other Income	17	84,081	734,720
Administrative expenses	18	(3,784,157)	(3,552,901)
Board members expenses	19	(313,356)	(429,857)
Other expenses	20	(8,293,490)	(886,027)
Finance costs	21	(22,490)	(42,340)
<b>Profit(Loss) for the year</b>		<b>(16,343,140)</b>	<b>(2,890,913)</b>

# WESTERN KENYA RICE MILLS LTD

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2013

	2013	2012
	KSHS	KSHS
Surplus(Deficit)	(16,343,140)	(2,890,913)
<b>Adjustment for non cash items</b>		
Depreciation	806,480	1,024,429
<b>Operating Profit before working Capital changes</b>	<u>(15,536,660)</u>	<u>(1,866,484)</u>
<b><u>Working Capital changes</u></b>		
(Increase)Decrease in Inventories	(901,632)	(25,471,591)
Increase(Decrease) in Receivables	344,870	(471,196)
(Increase)Decrease in Payables	32,000	-
Increase(Decrease) in NIB Current account	19,163,817	24,626,389
Increase(Decrease) in MRM Current account	74,000	(142,512)
(Increase)Decrease in Sundry creditors	-	(227,755)
<b>Net cash generated from operating activities</b>	<u>3,176,396</u>	<u>(3,553,149)</u>
<b><u>Investing Activities</u></b>		
Purchase of Assets	-	(22,384)
<b>Net cash generated from Investing activities</b>	<u>-</u>	<u>(22,384)</u>
<b>Financing Activities</b>		
	-	-
<b>Net cash generated from financing activities</b>	<u>-</u>	<u>-</u>
Cash & cash equivalents at beginning of the year	2,065,407	5,640,940
<b>Cash &amp; cash equivalent at end of the year</b>	<u><u>5,241,803</u></u>	<u><u>2,065,407</u></u>

**WESTERN KENYA RICE MILLS LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2013**

	Share Capital	Revaluation Reserve	Reserves	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2011	35,049,935	30,000	(8,454,435)	26,625,500
Amortisation	-	(30,000)	(2,890,913)	(2,920,913)
Loss for the year 2012	-	-	19,419	19,419
Proposed div. written back	35,049,935	-	(11,325,929)	23,724,006
At 30 June 2012	35,049,935	-	(11,325,929)	23,724,006
At 1 July 2012	35,049,935	120,000.00	-	120,000
Revaluation	-	(30,000)	-	(30,000)
Amortisation	-	-	(16,343,140)	(16,343,140)
Loss for the year	-	-	-	-
Proposed div. written back	35,049,935	90,000.00	(27,669,069)	7,470,866
At 30 June 2013	35,049,935	90,000.00	(27,669,069)	7,470,866

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2013

### ACCOUNTING POLICIES

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

i) **Basis of Preparation**

The financial statements are prepared in accordance with International Financial Reporting Standards

ii) **Property, Plant and Equipment**

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

There is no depreciation charged on the sewerage disposal system. Depreciation on other assets is calculated using the rates shown here below at reducing balance unless otherwise stated.

Buildings	2.5%	
Plant & Machinery	12.5%	
Workshop Equipment	12.5%	
Office Machinery	12.5%	
Motor Vehicles	25.0%	(Straight Line)

iii) **Inventories**

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

iv) **Cash and cash equivalents**

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

WESTERN KENYA RICE MILLS LIMITED

NOTE 2 : PROPERTY ,PLANT & EQUIPMENT AS AT 30 JUNE 2013

	OFFICE MACHINERY	BUILDINGS	PLANT & MACHINERY	MOTOR VEHICLES	WORKSHOP & MACHINERY	P&M MISCELENEOUS	TOTAL
	KSH	KSH	KSH	KSH	KSH	KSH	KSH
<b>COST:</b>							
AS AT 01.07.2011	425,604	6,836,487	29,994,849	3,109,080	1,230,018	678,735	42,274,773
ADDITIONS	22,384			(30,000)			22,384
Revaluation adjustment							(30,000)
AS AT 01.06.2012	447,988	6,836,487	29,994,849	3,079,080	1,230,018	678,735	42,267,157
<b>DEPRECIATION:</b>							
AS AT 01.07.2011	348,044	2,668,916	27,359,768	1,015,567	1,122,801	560,940	33,076,036
CHARGE FOR THE YEAR	12,458	104,189	329,385	550,270	13,402	14,725	1,024,429
AS AT 30.06.2012	360,502	2,773,105	27,689,153	1,565,837	1,136,203	575,665	34,100,465
N.B.V. AS AT 30.06.2012	87,486	4,063,382	2,305,696	1,513,243	93,815	103,070	8,166,692
<b>COST:</b>							
AS AT 01.07.2012	447,988	6,836,487	29,994,849	3,079,080	1,230,018	678,735	42,267,157
ADDITIONS/REVALUATION				90,000			90,000
AS AT 30 - 06 - 2013	447,988	6,836,487	29,994,849	3,169,080	1,230,018	678,735	42,357,157
<b>DEPRECIATION:</b>							
AS AT 1st July 2012	360,502	2,773,105	27,689,153	1,565,837	1,136,203	575,665	34,100,465
CHARGE FOR THE YEAR	10,936	101,584	288,214	378,310	12,884	14,552	806,480
Revaluation adjustment							
AS AT 30.06.2013	371,438	2,874,689	27,977,367	1,944,147	1,149,087	590,217	34,906,945
<b>NET BOOK VALUE:</b>							
AS AT 30th June 2013	76,550	3,961,798	2,017,482	1,224,933	80,931	88,518	7,450,211
AS AT 30th June 2012	87,486	4,063,382	2,305,696	1,513,243	93,815	103,070	8,166,692

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2013 (CONTINUED)**

<b>INVENTORIES</b>	<b>2013</b>	<b>2012</b>
	<b>KSHS</b>	<b>KSHS</b>
Factory Spares	1,514,367	1,109,862
General store	225,308	953,216
Paddy stocks	29,857,340	26,547,380
Packing Materials	713,855	1,362,439
Milled Rice	1,030,120	2,489,360
By products stores	22,900	-
	<b>33,363,889</b>	<b>32,462,257</b>

**TRADE & OTHER RECEIVABLES**

	<b>2013</b>	<b>2012</b>
	<b>KSHS</b>	<b>KSHS</b>
Farmers total account	2,157,300	2,157,300
Issues to farmers	630	630
Staff Salary Advance	6,721	5,900
Trade & Other Receivables	752,876	932,565
Robert Sang	14,671	-
Mwea irrigation scheme	3,084,023	3,084,022
Stock difference	180,671	361,344
<b>TOTAL</b>	<b>6,196,891</b>	<b>6,541,761</b>
Less: provision for bad debts	(18,251)	(18,251)
	<b>6,178,640</b>	<b>6,523,510</b>

<b>CASH AND CASH EQUIVALENTS</b>	<b>2013</b>	<b>2012</b>
	<b>KSHS</b>	<b>KSHS</b>
KCB Nairobi	1,846,231	64,807
KCB Kisumu	2,868,924	1,952,531
Cash in Hand	526,648	48,069
	<b>5,241,803</b>	<b>2,065,407</b>

<b>NIB CURRENT ACCOUNT</b>	<b>2013</b>	<b>2012</b>
	<b>KSHS</b>	<b>KSHS</b>
	(34,784,378)	(15,620,561)
	<b>(34,784,378)</b>	<b>(15,620,561)</b>

These are transactions between Western Kenya Rice Mills Ltd. and National Irrigation Board

<b>MRM CURRENT ACCOUNT</b>	<b>2013</b>	<b>2012</b>
	<b>KSHS</b>	<b>KSHS</b>
Opening Balance	74,000	68,512
Less adjustment / payments	(74,000)	(68,512)
Add for this year	-	74,000
	-	<b>74,000</b>

These are transactions between Western Kenya Rice Mills Ltd. and Mwea Rice Mills Ltd.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2013 (CONTINUED)**

<b>SHARE CAPITAL</b>	<b>2013 KSHS</b>	<b>2012 KSHS</b>
Authorised share capital 420000 shares at 100/- per value The shares have been paid up as follows:		
National Irrigation Board	25,200,000	25,200,000
Ahero Scheme	4,910,072	4,910,072
West Kano Scheme	2,392,984	2,392,984
Bunyala Scheme	2,546,879	2,546,879
	<b>35,049,935</b>	<b>35,049,935</b>
<b>DEVALUATION RESERVE</b>	<b>2013 KSHS</b>	<b>2012 KSHS</b>
Balance b/f	120,000	30,000
Less: Depreciation for the year	30,000	30,000
Balance c/f	<b>90,000</b>	-
<b>RETAINED EARNINGS /(LOSS)</b>	<b>2013 KSHS</b>	<b>2012 KSHS</b>
Balance b/f	(11,325,929)	(8,454,435)
Excess/(Deficit) for the year	(16,343,140)	(2,890,913)
Proposed dividend for the year	-	19,419
Balance c/f	<b>(27,669,069)</b>	<b>(11,325,929)</b>
<b>TRADE &amp; OTHER PAYABLES</b>	<b>2013 KSHS</b>	<b>2012 KSHS</b>
Ahero Irrigation Scheme	32,000	32,000
Audit Fee Provision	232,000	200,000
	<b>264,000</b>	<b>232,000</b>

<b>2. UNPAID DIVIDENDS</b>	<b>2013 KSHS</b>	<b>2012 KSHS</b>
		227,755
Written back	-	(227,755)
	-	-

This account is used to record expenses not paid by the close of the financial year like deductions on salaries not remitted to the third party and directors fees not paid to the National Irrigation Board. The amount has now been written back to the accounts.

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2013 (CONTINUED)**

<b>3 TAXATION</b>	<b>2013 KSHS</b>	<b>2012 KSHS</b>
Unpaid balance brought forward	9,715,299	9,715,299
<b>BALANCE C/F</b>	<b>9,715,299</b>	<b>9,715,299</b>

Taxation of kshs 9,005,278. relates to a provision for tax on profits made in earlier years (1996,1998 and 1999) and had not been paid. The provision is based on 30% corporation tax rate. The figure shown above is cumulative.

<b>4 UNPAID DIVIDENDS</b>	<b>2013 KSHS</b>	<b>2012 KSHS</b>
Balance b/f	-	19,419
Write back	-	(19,419)
Balance c/f	-	-

These were dividends declared in 1996 and dividends proposed in 1998 & 1999 . The 1996 declared dividends of Kshs 19,419.00 were not collected by the shareholder and therefore written back to the accounts in the year 2011/2012.