

REPUBLIC OF KENYA



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# REPORT

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TABLE BY: **OF** Hon Kimani Ichungwani, MP  
Leader, Majority Party  
A. Shubuko

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**THE AUDITOR-GENERAL**

**ON**

**MWEA RICE MILLS LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2023**






OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30684 - 00109, NAIROBI  
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MWEA  
RICE MILLS  
LIMITED



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**MWEA RICE MILLS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2023**

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



**Mwea Rice Mills Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**1. Acronyms and Glossary of Terms**

<b><i>IFRS</i></b>	<i>International Financial Reporting Standards</i>
<b><i>MD</i></b>	<i>Managing Director</i>
<b><i>NT</i></b>	<i>National Treasury</i>
<b><i>PFM</i></b>	<i>Public Finance Management.</i>
<b><i>PSASB</i></b>	<i>Public Sector Accounting Standards Board</i>
<b><i>MRM</i></b>	<i>Mwea Rice Mills Ltd.</i>
<b><i>MRGM</i></b>	<i>Mwea Rice Growers Multipurpose Co-operative Society Limited.</i>
<b><i>NIA</i></b>	<i>National Irrigation Authority</i>
<b><i>AG</i></b>	<i>Acting</i>
<b><i>NCPB</i></b>	<i>National Cereals and Produce Board</i>
<b><i>HON.</i></b>	<i>Honorable</i>

## **2. Key Entity Information**

### **a) Background information**

The *Mwea Rice Mills Ltd.* was established by the Companies Act CAP 486(now repealed and substituted with Companies Act 2015) on (5<sup>th</sup> May 1967). At Cabinet level, the *Mwea 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 *Mwea Rice Mills Ltd.*. The *Mwea Rice Mills Ltd.* is domiciled in Kenya.

### **b) Principal Activities**

The principal 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 5tonnes 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 the basmati (Pishori) milled rice and the by – products. Which are mainly: Broken rice, Chicken feed and Rice bran

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

### **c) Directors**

The Directors who served the entity during the year/period were as follows:

- |                                      |                      |   |
|--------------------------------------|----------------------|---|
| 1. Hon. Eng. Joshua N. Toro          | - Chairman           | - Appointed on 03/05/2019<br>- Exited on 18/05/2023 |
| 2. Eng. Gilbert Mutua Maluki Ndongye | - Chairman           | - Appointed on 18/05/2023                           |
| 3. Mr. Harrison Mutugi               | - Vice Chairman MRGM | - Appointed on 01/05/2008                           |

## **Mwea Rice Mills Limited**

### **Annual Report and Financial Statements for the year ended June 30, 2023**

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- |  |  |   |
|--|--|---|
| 4. Mr. Ndege Muiruki                     | - Chairman MRGM  | - Appointed on 30/10/2019                               |
| 5. Mr. Aboud Moeva                       | - Alternative representative to PS,<br>State Department of Irrigation,<br>Ministry of Water Sanitation and<br>Irrigation | - Appointed on 14/12/2018                               |
| 6. Mr. Victor Momanyi                    | - Inspectorate of State Corporations   | - Appointed on 08/06/2022                               |
| 7. Mr. Charles Kairu                     | - Alternative representative to CS,<br>National Treasury   | - Appointed on 14/10/2015                               |
| 8. Mr. Gitonga Mugambi,<br>EBS           | - Managing Director  | - Appointed on 01/08/2017<br><br>- Exited on 30/11/2022 |
| 9. Eng. Charles M.<br>Muasya, <i>MBS</i> | - Managing Director  | - Appointed on 06/12/2022                               |

#### **d) Company Secretary**

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

#### **e) Factory**

Mwea  
P.O. Box 80  
Wanguru

#### **f) Company Headquarters**

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



**Key Entity Information (continued)**

**g) Company Contacts**

Telephone: (254) 0711 061 000

E-mail: [Ceo@irrigation.go.ke](mailto:Ceo@irrigation.go.ke)

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

**h) Company Bankers**

1. Kenya Commercial Bank  
P.O. Box 393  
WANGURU
2. ABSA Bank Ltd  
Queensway house  
P.O. Box 30011  
NAIROBI


**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;"><b>HON. ENG. JOSHUA N. TORO- CHAIRMAN</b></p> 	<p>Hon. Eng. Joshua Ngugi Toro was appointed as the Chairman of NIA Board of Directors on May 3, 2019 via the Kenya Gazette special issue Vol. CXXI.56.. He holds Bachelor of Science Degree in Mechanical Engineering from the University of Nairobi. He is a registered Engineer by Engineers Registration Board and a member of the Institution of Engineers of Kenya.</p> <p>His Engineering career started immediately after graduating in 1977 at Kenya Railways Corporation (KRC). While at KRC, he was seconded to the Union of African Railways Headquarters in Kinshasa, Democratic Republic of Congo as Head of Engineering between 1989 and 1992. The Union is a specialized agency of the African Union (AU) responsible for the promotion of railway network interconnection and transportation of goods and passengers within African Countries. As Head of Engineering, he was responsible for research and feasibility studies, policy development for acquisition, design, renewal and standardization of rolling stock and equipment and evolution of maintenance standards for the members' railways. He was accorded Diplomatic status by the Government of Kenya during this period (1989 to 1992).</p> <p>Hon. Eng. Toro served as a Member of Parliament for Kandara Constituency for ten (10) years from 1997 to 2007. H.E Mwai Kibaki, who was the Official Leader of Opposition then, appointed him shadow Minister for Roads, Public Works and Housing in parliament for five (5) years between 1997 and 2002. He also served as the vice chairman of the Parliamentary Committee for Labour, Health, Housing and Social Welfare between 1997 and 2002.</p> <p>He was appointed by the then President H.E Mwai Kibaki as an Assistant</p>

		<p>Minister for Roads, Public Works and Housing for five (5) years between 2003 and 2007. While in Parliament, he served as Member of African Parliamentarians Network Against Corruption (APNAC) which is affiliated to the Global Organization of Parliamentarians Against Corruption between 1997 and 2009.</p> <p>Hon. Eng. Toro was one of the pioneer members of the Board of Directors of Kenya National Highways Authority (KeNHA) that established it from scratch to the current formidable organization it is today. He was a Board member at KeNHA for five (5) years between 2008 and 2012 where he also served as the chairman of the Board’s Technical committee alongside being a member of the Audit and the Procurement Oversight Committees.</p> <p>His background in Engineering and experience in the various leadership roles will help him lead NIA in implementing its mandate so as to effect and promote the Government’s Big4 Agenda on Food Security and Nutrition. He is a registered Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of Institution of Engineers of Kenya.</p>
<p>2.</p>	<p><b>ENG. GILBERT MUTUA MALUKI NDONYE - CHAIRMAN</b></p> 	<p>Eng. Gilbert Mutua 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 &amp; 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</p>

		<p>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 towards reducing the cost of living by improving agricultural productivity within the framework of the Bottom-Up Economic Transformation Agenda (BeTA).</p>
<p>3.</p>	<p><b>MR. HARRISSON MUTUGI MATHINDI, NON- EXECUTIVE DIRECTOR</b></p> 	<p>Mr. Harrison Mutugi Mathindi joined the Company’s Board in May 2008. He sits on the Board by virtue of being a Director of Mwea Rice Growers Multi-Purpose Cooperative Society (MRGM) director.</p> <p>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 1976 to 1998. Mr. Mutugi brings vast knowledge, experience and leadership gained from the expansive Mwea rice growing region.</p> <p>His current occupation is commercial rice farming</p>

<p>4.</p>	<p><b>MR NDEGE MURIUKI - NON-EXECUTIVE DIRECTOR</b></p> 	<p>Mr. Ndege Muriuki joined the Authority on 30<sup>th</sup> October 2019. He sits on the Board by virtue of being the Chairman of Mwea Rice Growers Multi-Purpose Cooperative Society (MRGM). He is a Rice Farmer</p> <p>He is a long serving member of the MRGM having joined in 14<sup>th</sup> March 2003, a position he continues to hold up to date. He has previously worked as an accountant at Harambee Sacco as well as a Secretary manager at Mwea Amalgamated Rice Growers Cooperative Society Ltd which is a predecessor of MRGM</p>
<p>5.</p>	<p><b>MR. ABOUD MOEVA, ALTERNATE REPRESENTATIVE OF THE PRINCIPAL SECRETARY, DIRECTORATE OF IRRIGATION, MINISTRY OF WATER, SANITATION AND IRRIGATION</b></p> 	<p>Mr. Moeva was appointed to the Board on December 14, 2018. He is a holder of a Master in Business Administration (MBA) Degree in Strategic Management and a Bachelor's Degree in General Agriculture both from the University of Nairobi. He possesses vast expertise in Agriculture and is an Agriculturalist/Community mobilizer as well as acquiring an extensive professional profile of 21 years' experience in management of Irrigation development. He has done several professional courses such as Irrigation Project Preparation Course, Ministry of Agriculture (1989), Farmers Organization and Development, Ministry of Agriculture (1989) and Smallholder Irrigation Promotion Course, Tsukuba International Center-Japan (1999) among others. He currently holds office as the Director of Irrigation Water Management and has previously held several responsibilities including: Head of Planning, Monitoring and Information</p>

		<p>Management-Ministry of Water and Irrigation, Head of Budget and Project Coordination Branch-Ministry of Agriculture, District Agricultural Officer-Lamu district among others.</p>
<p>6.</p>	<p><b>MR. VICTOR MOMANYI, ALTERNATE REPRESENTATIVE OF INSPECTOR GENERAL, STATE CORPORATIONS</b></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>

<p>7.</p>	<p><b>MR. CHARLES KAIRU – ALTERNATE REPRESENTATIVE TO PRINCIPAL SECRETARY, NATIONAL TREASURY NON-EXECUTIVE DIRECTOR</b></p> 	<p>Mr. Charles Kairu was appointed to the Board on 14th October 2015 as alternate Director to the Principal Secretary, National Treasury. He is holder of a Master Degree in Development Economics from Williams College, USA and a Bachelor’s Degree in Economics from the University of Nairobi. He has over 30 years’ experience in the Public Service and is currently serving as Senior Assistant Director in the Public Debt Management Office at the National Treasury</p>
<p>8.</p>	<p><b>MR. GITONGA MUGAMBI, EBS- CHIEF EXECUTIVE OFFICER</b></p> 	<p>Mr. Gitonga Mugambi was born on 24th Dec. 1967. He was appointed the General Manager of National Irrigation Authority on 1<sup>st</sup> August 2017 and exited on 30<sup>th</sup> November 2022. He holds Bachelor of Science degree in Agriculture from University of Nairobi and MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agriculturist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of Irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of National Irrigation Authority.</p>

<p>9</p>	<p><b>ENG. CHARLES MUTINDA MUASYA, MBS – MANAGING DIRECTOR</b></p> 	<p>Eng. Charles Muasya was appointed the Ag. Chief Executive Officer on November 6, 2022. He is the Ag. Managing Director of the Company by virtue of him being the Ag. Chief Executive Officer of the National Irrigation Authority. He has a Master in Civil Engineering from University of South Australia and B.Sc. Agricultural Engineering from Egerton University. He is a proficient Engineer with 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-Participants.</p>
<p>10</p>	<p><b>NANCY M. WAMBUGU, HEAD OF ICT&amp; AG COMPANY SECRETARY.</b></p> 	<p>Nancy is currently the Head of ICT Services and Acting Corporation Secretary at National Irrigation Authority. She has over 13 years of experience in ICT Infrastructure operations, Information Security and Innovations both in private and public sectors. She is a holder of MSC Information Security from Strathmore University and BSC, in Computer Studies. She also holds a Diploma in Computer Studies, CCNP, A+ and N+ Certifications. Her immersive contribution in ICT Service delivery in the Public Service has seen her awarded a Certificate of Excellence in Public Sector Innovation, 2011 Edition, by the Head of Public Sector in Kenya. She has greatly contributed to the transformation of National Irrigation Authority in digitization and automation processes</p>





**MS. JULLYANNE AWINO OKELLO –  
AG. PRINCIPAL PLANNING OFFICER  
(M&E) / AG. COMPANY SECRETARY**





Ms. Jullyanne is the Ag. Corporation Secretary of the Authority since 28<sup>th</sup> 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


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4. Key Management Team

SN	Management	Details
1.	<p><b>MR. GITONGA MUGAMBI, EBS-CHIEF EXECUTIVE OFFICER</b></p> 	<p>Mr. Gitonga Mugambi was born on 24th Dec. 1967. He was appointed the General Manager of National Irrigation Authority on 1<sup>st</sup> August 2017 and exited on 30<sup>th</sup> November 2022. He holds Bachelor of Science degree in Agriculture from University of Nairobi and MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agriculturist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of Irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of National Irrigation Authority</p>
2.	<p><b>ENG. CHARLES MUASYA, MBS – MANAGING DIRECTOR</b></p> 	<p>Eng. Charles Muasya was appointed the Ag. Chief Executive Officer on November 6, 2022. He is the Managing Director of the Company by virtue of him being the Chief Executive Officer of the National Irrigation Authority. He has a Master in Civil Engineering from University of South Australia and B.Sc. Agricultural Engineering from Egerton University. He is a proficient Engineer with 19 years of experience in Engineering field. He is a registered Engineer with Engineers’ Registration Board. He is a registered Engineer with Engineers Board of Kenya (EBK), a Corporate Member of Institution of Engineers of Kenya and JICA Ex-Participants.</p>

<p>3.</p>	<p><b>MR. DANIEL ATULA MASATIA, - DEPUTY GENERAL MANAGER – CORPORATE SERVICES.</b></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 &amp; 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>4.</p>	<p><b>MR. JOEL KIPKEMBOI TANUI- DEPUTY GENERAL MANAGER – OPERATIONS.</b></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>5.</p>	<p><b>CPA JEDIDAH N. ODUORI, HEAD OF FINANCE</b></p> 	<p>CPA 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 Company.</p>
<p>6.</p>	<p><b>NANCY M. WAMBUGU, HEAD OF ICT&amp; AG COMPANY SECRETARY.</b></p> 	<p>Ms. Nancy is currently the Head of ICT Services and Acting Corporation Secretary at National Irrigation Authority. She has over 13 years of experience in ICT Infrastructure operations, Information Security and Innovations both in private and public sectors. She is a holder of MSC Information Security from Strathmore University and BSC, in Computer Studies. She also holds a Diploma in Computer Studies, CCNP, A+ and N+ Certifications. Her immersive contribution in ICT Service delivery in the Public Service has seen her awarded a Certificate of Excellence in Public Sector Innovation, 2011 Edition, by the Head of Public Sector in Kenya. She has greatly contributed to the transformation of National Irrigation Authority in digitization and automation processes.</p>

7.	<p><b>MS. JULLYANNE AWINO OKELLO – AG. PRINCIPAL PLANNING OFFICER (M&amp;E) / AG. COMPANY SECRETARY</b></p> 	<p>Ms. Jullyanne is the Ag. Corporation Secretary of the Authority since 28<sup>th</sup> 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. Chairman's Statement**

The financial year 2022/2023 witnessed a remarkable improvement of the Mwea Rice Mill Ltd on its social and financial status. During the year, the company was not only able to meet its financial obligation but was also able to invest excess liquid cash into a fixed deposit account with Kenya Commercial Bank.

The company has been able to exploit most of its financial opportunities in regard to the rice processing services at Mwea Wang'uru Kenya which has resulted to a tremendous increase in its revenue collection compared to the yester years. The investment sector also showed a tremendous increase in its revenue collection as compared to other years although there is still a room for further improvement in order to reach optimal revenue collection.

What is important now is to keep on exploiting new business opportunities for the company and safeguarding what has already been achieved through quarterly monitoring of her performances. The intention is to ensure that the company does not lose track on already improved areas while at the same time continue focusing on future business opportunities which can be tapped for revenue maximization thereby, increasing the shareholders wealth.

The future of the company is bright owing to the changes we have and continue to put in place for the holistic improvement of the company and enhancement of the shareholder's wealth.

In conclusion, I am grateful for the support received from my fellow directors, management and the members of staff at large. Finally, I take this opportunity to express my gratitude to all our customers, business partners, employees and stakeholders who have shown their trust in us and have extended their constant support.

Sign: .....  ..... Date: ..... 26/02/2024 .....

**ENG. GILBERT MUTUA MALUKI NDONYE**

**CHAIRMAN OF THE BOARD**

**6. Report of the Managing Director**

The positioning of Mwea Rice Mills offers it an opportunity to excel regionally in execution of its core business despite the stiff competition from other players in the rice-milling sector.

We are optimistic that the company's future is bright owing to several measures that we have continued to put in place. For instance, during the year we were able to computerize the company's financial system through ERP package. Also computerized through ERP was its stores system. These systems have greatly assisted the management in monitoring the financial performance of the company. This financial year has shown that with proper management, the company can reclaim its dominance in the rice-milling sector. It is worth noting that, this year the company was able to have excess liquid cash of Kshs.40 Million after meeting all its financial obligations. This will no doubt act as impetus to the management to exploit various business opportunities that can be used to increase the shareholders wealth.

As we look into the future, we will ensure that we grow business with our customers by maintaining our tradition in delivering customer value and the experience of superior quality services. We will understand the changing consumer behaviour and create convenience in business as well as ensure quality product and service are offered at all times.

Further, it is our obligation to ensure that the shareholders wealth is maximized in order for them to have good return on their investment. This is our cardinal duty as the management.

It is important to note that, MRM has delivered more human welfare benefits in ways not directly captured in the audited financial reports. We have improved community welfare through stable prices and provision of local employment both directly and indirectly.

Lastly, I am grateful for the unwavering support of all our shareholders. I also take this opportunity to appreciate the Board of Directors, management and employees who have performed beyond expectations to ensure that we continue to deliver quality service on time, in full and in line with our core values.

Sign: .....  ..... Date: 26/02/2024 .....

**ENG. CHARLES MUTINDA MUASYA, *MBS***  
**MANAGING DIRECTOR**

**7. Statement of Performance against Predetermined Objectives for FY 2022/23**

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

During the financial year under review, MRM Ltd. did not have a running strategic plan. However, there was a work plan, which guided the performance of the company during the financial year 2022/2023.



## **8. Corporate Governance Statement**

### **Overview**

Mwea Rice Mills Ltd is committed to the highest standard of corporate governance. Our policy is to set best practice standards in product and service quality, as well as fair conduct towards our employees, suppliers and customers. In recognizing its responsibilities of good Citizenship Mwea Rice Mills Limited particularly emphasizes on issues of social welfare, environmental care and principles of integrity.

### **Composition of the board**

The Board of Directors for Mwea Rice Mills Ltd comprises of seven (7) directors namely;

- i. The Chairman (Chairman - National Irrigation Authority)
- ii. Alternate Representative to Principal Secretary, National Treasury
- iii. Alternate Representative to Principal Secretary, State Department of Irrigation, Ministry of Water, Sanitation and Irrigation
- iv. Inspectorate of State Corporations
- v. Managing Director (Chief Executive Officer - National Irrigation Authority)
- vi. Two Directors from Mwea Rice Growers Multi-cooperative society Ltd.

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, and at the same time upholding high standards of corporate governance and business ethics.

The Board is also responsible for the following:

- i. Oversee the Company, including providing leadership and setting its objectives.
- ii. Represent and serve the interests of shareholders by overseeing and appraising 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 Mwea Rice Mills Limited 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 of Mwea Rice Mills Limited has four scheduled meetings per year; the meetings are held in every quarter of the year. In these meetings the Board reviews the company's performance against the planned strategies 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 allowances in connection with attendance at Board and committee meetings.

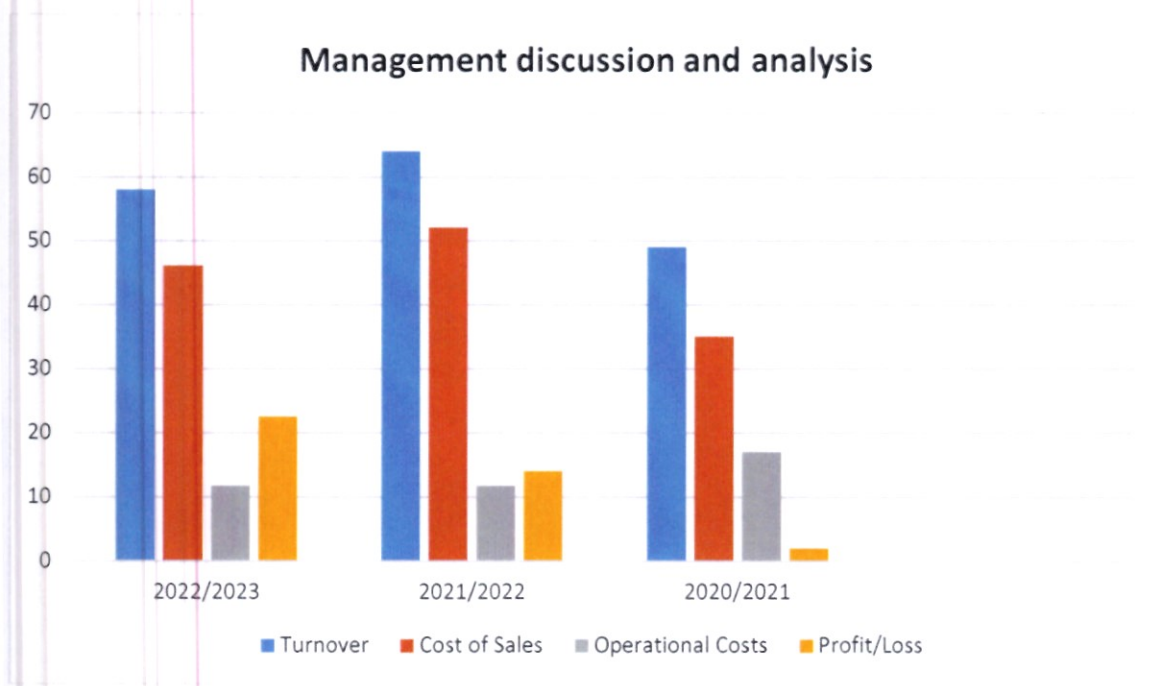
### **Communication with stakeholders**

Mwea 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 disclosure.

**9. Management Discussion and Analysis**

The Company’s turnover increased from Kshs. 49,842,870 in the financial year 2020/2021 to Kshs. 64,317,303 in the financial year 2021/2022. However, the turnover decreased to Kshs. 58,809,583.00 in the current year under review. This represents 8.56% decrease when compared with the previous year. On the other hand, cost of sales increased from Kshs. 35,799,187 in the financial year 2020/2021 to Kshs. 52,037,139 in the financial year 2021/2022. However, this decreased to Kshs. 46,117,978 in the current year under review, representing 11.37% decrease. Further, the operational costs decreased from Kshs. 17,649,885 in the financial year 2020/2021 to Kshs. 11,743,641.00 in the financial year 2021/2022 and decreased to Kshs. 11,731,692.00 in the current year under review, representing 0.10% decrease. As indicated in the chart, the profits increased from Kshs. 2,442,038 in the year 2020/2021 to Kshs. 14,014,980.70 in the financial year 2021/2022 to Kshs. 22,530,745 in the financial year under review representing 60.76% increase in profits. This information is highlighted, in the form of a bar chart below.

**Figure 1: Y Axis represents Kshs. In Millions**



## **10. Environmental and Sustainability Reporting**

Mwea Rice Mills Co. Ltd. Exists to transform lives. This is our purpose: the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on MRM pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is the brief highlight of our achievements in each pillar;

### **1. Sustainability Strategy and Profile**

Mwea Rice Mills was incorporated in 1967 with the sole objective of milling and marketing of paddy produced in Mwea Irrigation Scheme. Between 1967 and 1997, the company enjoyed monopolistic business. Therefore, the company's existence was automatically guaranteed due the lack of business competition. The company used to mill and market the National Irrigation Authority's (then National Irrigation Board) paddy to the government institutions and business people which enabled it to get high income from its milling activities.

In 1997, Mwea Irrigation Scheme (MIS) farmers agitated for a liberalized market through which they could sell their produce thus, detaching themselves from the services that were offered to them by the Authority. This resulted to private millers coming into the milling business. Such millers were Mwea Rice Growers Multipurpose, Nice Millers, and RIA Millers among others. Due to this, the company was faced with tough competition from those rice millers making its sustainability uncertain. This pushed the MRM management to restructure the activities and human labour in the year 2000.

Several measures were put in place in order to embrace customers from private sector who would bring paddy for milling. This saw a new revival of MRM. Customers started delivering their paddy for milling in MRM. As a result, the company's profitability ratio started showing an upward trend. Today, the company due to its strategic position is offering the best milling services to its customers as compared to its competitors.

During the last financial year 2021/2022 the company was able to establish a profit of Kshs.14M after tax besides meeting its financial obligations over the period. The management has instituted several measures intended for upgrading its net profit after tax. Such measures include;

- i. First tracking the marketing of customer's rice through organized organs such as customer's co-operative. This will make more customers to come to MRM for milling and marketing services.
- ii. Introduced check and balances in the organization in order to safeguard customer's paddy which made some other millers to seek milling services from MRM. This in no doubt will impact positively on the sustainability of the company.
- iii. The macroeconomic measures undertaken in 2022/2023 will start bearing fruits in the years to come where the profitability index is expected to be enhanced.

## **2. Environmental Performance**

MRM as a company started taking care of environment way back in its inception (1967). During rice milling, rice husks which was waste would impact negatively on the environment. The company bought land on which rice husk would be disposed of and burnt down. (See MRM environment policy attached)

Below are the outlined successes for the policy;

- i. The company was able to dispose of all of its husk into its own land whereby it was burnt to ashes. However, recently in collaboration with Research Centre, rice husk has been found useful in cement manufacturing industries and preparation of bio char for customer use. It can now be sold at a profit.
- ii. The advantage of tree cover cannot be over emphasized as it increases the amount of rainfall and prevents soil degradation.
- iii. Boost employees and customer's morale because of the good environment and fresh air within MRM compound.

In order to take care of the environment, MRM shall among other things ensure that;

- i. Rice husk shall be disposed of appropriately without causing environmental hazard to the public.
- ii. Employees and customers of the company will work in clean and safe environment.
- iii. Trees will be planted in all unutilized land that belong to the company in order to boost the country's forest cover by 10% as required by the government.

- iv. There shall be a continuous check of any material/materials that may impact negatively to the public and environment in general. In case of any such materials, remedial action shall be taken.
- v. There is full collaboration between the Company and the Ministry of Environment and Forestry in matters pertaining to the environment.

### **3. Employee Welfare**

- i. MRM being a subsidiary of the National Irrigation Authority and a shareholding by the farmers' Cooperatives, its employees have the National face with youth and gender representation equally taken care of. Close to 90% of casual staff are drawn from the farming communities and the farmers' cooperative in order to give them a sense of belonging and ownership whereas the senior management is overseen by staff from the Authority who are recruited competitively and on merit as per the National Irrigation Authority HR regulations.
- ii. MRM has managed to keep her technical and supervisory level of staff for long and this has enabled the company to undertake and keep to an attainable level of its repairs and maintenance costs.
- iii. There has also been technical and management knowledge transfer from the senior staff to junior staff that the mill can manage to run on shifts or even when the senior staff are on leave or retired.
- iv. To date, all the salaries for both contracted and casual staff is being paid on time and all statutory deductions are remitted to the relevant bodies.
- v. In compliance with the Occupational Health and Safety Act, MRM in collaboration with the Public Health have ensured the health standards are met and periodical inspections and certification of the facility has been up to date.
- vi. The staff are protected against pollution and mechanical injuries by ensuring all time donning PPEs including nose, ears, eyes, body and feet protectors.

### **4. Market Place Practices**

MRM has outlined its effort to;

**(a) Responsible Competition Practice**

MRM today operates in an oligopolistic environment where stiff competition is the order of the day. In such an environment the company has endeavoured to winning customers by practicing honesty, accountability, reliability, respect and safety measures. This enables the company to get more customers than its competitors.

**(b) Responsible Supply Chain and Supplier Relations**

MRM ensures that its creditors are paid in time, that is, not more than fourteen (14) days after the delivery of goods and services. This has enabled customers to have confidence on company's supply chain.

**(c) Responsible Marketing and advertisement**

MRM has been advertising for the marketing of its commodities responsibly either in Public WEB through MRM banners at its outlet shop.

**(d) Product Stewardship**

MRM products are known by a wide range of consumers who come to buy them in the organization. Most of these products are well packed and weighed in accordance to the standards established.

MRM products are tested and certified by KEBS.

**5. Corporate Social Responsibility /Community Engagements**

MRM as a company fully engages the community it in offering its services. It also assists with material donation to the less fortunate class of the society. Such materials can be in form of firewood, foodstuff supplied to children's home, and sport activities provided to young people within the community.

**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Mwea 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 Mwea Settlement Scheme.

**ii) Results**

The results of the entity for the year ended June 30, 2023, are set out on pages 1 to 8. Below is summary of the profit or loss made during the year.

**iii) Dividends**

Subject to the approval of the shareholders, the Directors recommend the payment of a first and final dividend for the year of Kshs. 22.42 per ordinary share, amounting to Kshs. 5,605,992.00, subject to withholding tax where applicable.

**iv) Directors**

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

**v) Auditors**

The Auditor-General is responsible for the statutory audit of MRM 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 *Mwea Rice Mills Limited Company* for the year/period ended June 30, 2023, 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**

**Date** 26/02/2024



## **12. 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 Mwea Rice Mills Ltd., which give a true and fair view of the state of affairs of the Mwea Rice Mills Ltd. at the end of the financial year/period and the operating results of the Mwea Rice Mills Ltd. for that year/period. The Directors are also required to ensure that the Mwea Rice Mills Ltd. keeps proper accounting records which disclose with reasonable accuracy the financial position of the Mwea Rice Mills Ltd. The Directors are also responsible for safeguarding the assets of the Mwea Rice Mills Ltd.

The Directors are responsible for the preparation and presentation of the Mwea Rice Mills Ltd.'s financial statements, which give a true and fair view of the state of affairs of the Mwea Rice Mills Ltd. for and as at the end of the financial year (period) ended on June 30, 2023. 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 entity, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Mwea 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.

**Statement of Directors' Responsibilities (Continued)**

The Directors are of the opinion that the Mwea Rice Mills Ltd.'s financial statements give a true and fair view of the state of Mwea Rice Mills Ltd.'s transactions during the financial year ended June 30, 2023, and of the Mwea Rice Mills Ltd.'s financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Mwea Rice Mills Ltd., which have been relied upon in the preparation of the Mwea 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 *Mwea Rice Mills Limited* 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 *Mwea Rice Mills Ltd.*'s financial statements were approved by the Board on 30/06/ 2023 and signed on its behalf by:



.....  
**Eng. Gilbert Mutua Maluki Ndonye**  
**Chairperson of the Board**



.....  
**Eng. Charles Mutinda Muasya, MBS**  
**Managing Director**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON MWEA RICE MILLS LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Mwea Rice Mills Limited set out on pages 1 to 51, which comprise of the statement of financial position as at 30 June, 2023, 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, the financial statements present fairly, in all material respects, the financial position of Mwea Rice Mills Limited as at 30 June, 2023, 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 Opinion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Mwea 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 audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **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 the report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, 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 (i) to (xxx) 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.

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 USE OF PUBLIC RESOURCES

### **Conclusion**

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

### **Basis for Conclusion**

#### **Non-Execution and Non-Registration of Lease Agreements**

Review of the lease agreements for land located at the junction of Lenana and Woodlands roads in the Kilimani area of Nairobi County revealed that the lease agreements had not been registered. This is contrary to Section 54(5) of the Land Registration Act, 2012 which provides that the Lands Registrar shall register long-term leases and issue certificates of lease over apartments, flats, maisonettes, townhouses or offices having the effect of conferring ownership if the property is properly geo-referenced and approved by the statutory body responsible for the survey of the land.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

#### **Long Outstanding Trade and Other Receivables**

The statement of financial position reflects the trade and other receivables of Kshs.16,028,858 as disclosed in Note 19 to the financial statements. This balance is net of provision for doubtful debts on trade receivables of Kshs.18,712. However, ageing analysis revealed that trade debtors totalling Kshs.10,783,065 have been outstanding for

over three (3) years and have not been active for that period. Though these debtors were assessed as doubtful and provided for in the financial statements, adequate control measures and safeguards to recover the debts were not provided for audit.

In the circumstances, adequate control measures and recoverability of the long outstanding trade and other receivables balance of Kshs.16,028,858 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**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters which may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**26 March, 2024**



**Mwea Rice Mills Limited**

**Annual Report and Financial Statements for the year ended June 30, 2023**

**14. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30<sup>th</sup> June 2023.**

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Revenues</b>			
Revenue from Contracts with Customers	6	58,809,583	64,317,303
Cost of sales	7	(46,117,978)	(52,037,139)
<b>Gross profit</b>		<b>12,691,605</b>	<b>12,280,164</b>
<b>Other income</b>			
Finance income	8	2,715,342	-
Other income	9	28,511,524	19,484,878
<b>Total revenues</b>		<b>43,918,471</b>	<b>31,765,042</b>
<b>Operating expenses</b>			
Administration costs	10	11,731,692	11,444,361
Selling and distribution costs	11	-	299,280
<b>Total operating expenses</b>		<b>11,731,692</b>	<b>11,743,641</b>
<b>Profit/(loss) before taxation</b>		<b>32,186,779</b>	<b>20,021,401</b>
<b>Income tax expense/(credit)</b>	13	9,656,034	6,006,420
<b>Profit/(loss) after taxation</b>		<b>22,530,745</b>	<b>14,014,981</b>
<b>Total comprehensive income for the year</b>		<b>22,530,745</b>	<b>14,014,980.70</b>

Mwea Rice Mills Limited

Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position as at 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant And Equipment	16	251,952,314	262,785,369
Investment Property	17	560,661,601	571,417,712
<b>Total Non-Current Assets</b>		<b>812,613,915</b>	<b>834,203,081</b>
<b>Current Assets</b>			
Inventories	18	18,688,939	20,109,016
Trade And Other Receivables	19	16,028,858	15,601,370
Tax Recoverable	20	1,952,021	1,952,021
Bank And Cash Balances	21	152,746,633	117,482,885
<b>Total Current Assets</b>		<b>189,416,451</b>	<b>155,145,292</b>
		<b>1,002,030,366</b>	<b>989,348,373</b>
<b>Equity And Liabilities</b>			
<b>Capital And Reserves</b>			
Ordinary Share Capital	22	5,000,000	5,000,000
Revaluation Reserve	23	821,918,150	833,888,874
General Reserve	24	8,700,000	8,700,000
Retained Earnings	25	17,560,868	1,986,113
Capital fund For Mill Rehabilitation	26	52,610,534	52,610,534
<b>Capital And Reserves</b>		<b>905,789,552</b>	<b>902,185,521</b>
<b>Non-Current Liabilities</b>			
Government proposed Levy	27	22,037,370	22,037,370
<b>Total Non-Current Liabilities</b>		<b>22,037,370</b>	<b>22,037,370</b>
<b>Current Liabilities</b>			
Trade And Other Payables	28	68,597,451	65,125,480
Dividends Payable	29	5,605,993	-
Tax Payable			
<b>Total Current Liabilities</b>		<b>74,203,444</b>	<b>65,125,480</b>
<b>Total Equity And Liabilities</b>		<b>1,002,030,366</b>	<b>989,348,371</b>

**Mwea Rice Mills Limited**

**Annual Report and Financial Statements for the year ended June 30, 2023**

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The financial statements were approved by the Board on 30/06/ 2023 and signed on its behalf by:

  
.....

**Eng. Charles M. Muasya, MBS**  
**Managing Director**

  
.....

**CPA. Jedidah N. Oduori**  
**Head of Finance**  
**ICPAK M/NO: 29724**

  
.....

**Eng. Gilbert M. Maluki**  
**Chairman of the Board**

**Mwea Rice Mills Limited****Annual Report and Financial Statements for the year ended June 30, 2023****16. Statement of Changes in Equity for the year ended 30 June 2023**

<b>Description</b>	<b>Ordinary share capital</b>	<b>Revaluation reserve</b>	<b>General reserve</b>	<b>Retained earnings</b>	<b>Capital/ Development Grants/Fund</b>	<b>Total</b>
<b>As at July 1, 2021 (Previous FY)</b>	<b>5,000,000</b>	<b>520,231,139</b>	<b>8,700,000</b>	<b>-12,028,864</b>	<b>52,610,534</b>	<b>574,512,809</b>
Revaluation gain	-	325,279,394	-	-	-	325,279,395
Transfer of excess depreciation on revaluation	-	(11,621,659)	-	-	-	(11,621,659)
Profit for the year	-	-	-	14,014,980	-	14,014,980
<b>As of June 30, 2022 (Previous FY)</b>	<b>5,000,000</b>	<b>833,888,874</b>	<b>8,700,000</b>	<b>1,986,116</b>	<b>52,610,534</b>	<b>902,185,524</b>
<b>As at July 1, 2022 (Current FY)</b>	<b>5,000,000</b>	<b>833,888,874</b>	<b>8,700,000</b>	<b>1,986,116</b>	<b>52,610,534</b>	<b>902,185,524</b>
Amortization	-	(11,970,724)	-	-	-	(11,970,724)
Profit for the year	-	-	-	22,530,745	-	22,530,745
Proposed final dividends	-	-	-	(5,605,993)	-	(5,605,993)
Retained earnings adjustments				(1,350,000)		(1,350,000)
<b>At June 30, 2023 (Current FY)</b>	<b>5,000,000</b>	<b>821,918,150</b>	<b>8,700,000</b>	<b>17,560,868</b>	<b>52,610,534</b>	<b>905,789,552</b>

## 17. Statement of Cash Flows for the year ended 30 June 2023

Description	Note	2023	2022
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	30	50,639,774	44,285,394
Taxation paid		(9,656,034)	(6,006,420)
<b>Net cash generated from/(used in) operating activities</b>		<b>40,983,740</b>	<b>38,278,974</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(114,000)	(3,365,185)
<b>Net cash generated from/(used in) investing activities</b>		<b>(114,000)</b>	<b>(3,365,185)</b>
<b>Cash flows from financing activities</b>			
Dividends payable		(5,605,992)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>(5,605,992)</b>	<b>-</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>35,263,748</b>	<b>34,913,789</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>117,482,885</b>	<b>82,569,096</b>
<b>Cash and cash equivalents at end of the year</b>	30	<b>152,746,633</b>	<b>117,482,885</b>

**Mwea Rice Mills Limited**  
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**18. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2023**

<b>Description</b>	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% of utilization</b>
	<b>a</b>	<b>b</b>	<b>c = a + b</b>	<b>d</b>	<b>E= c - d</b>	<b>d/c%</b>
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>100%</b>
Sale of goods	25,600,000	-	25,600,000	25,656,977	(56,977)	100%
Sale of services	33,000,000	-	33,000,000	33,152,606	(152,606)	100%
Finance income	2,800,000	-	2,800,000	2,715,342	84,658	97%
Other income	29,000,000	-	29,000,000	28,511,524	488,476	98%
<b>Total income</b>	<b>90,400,000</b>	<b>-</b>	<b>90,400,000</b>	<b>90,036,449</b>	<b>363,551</b>	<b>100%</b>
<b>Expenses</b>						
Compensation of employees	(1,900,000)	-	(1,900,000)	(1,867,957)	(32,043)	98%
Use of goods and services	(46,200,000)	-	(46,200,000)	(46,117,978)	(82,022)	100%
Other payments	(10,000,000)	-	(10,000,000)	(9,863,735)	(136,265)	99%
<b>Total expenditure</b>	<b>(58,100,000)</b>	<b>-</b>	<b>(58,100,000)</b>	<b>(57,849,670)</b>	<b>(250,330)</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>32,300,000</b>	<b>-</b>	<b>32,300,000</b>	<b>32,186,779</b>	<b>113,221</b>	<b>100%</b>

## **19. Notes to the Financial Statements**

### **1. General Information**

Mwea Rice Mills Ltd is established by and derives its authority and accountability from Companies Act Cap. 486. The company is partially owned by the Government (National Irrigation Authority-55%) and the farmers under their Co-operative Society (Farmers Amalgamated Society-45%) and is domiciled in Kenya. The Company's principal activity is processing and marketing of milled white rice and the By-products.

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 company'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 Mwea Rice Mills Ltd., and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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 2023.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.</p> <p><i>The Company does not issue insurance contracts. / The company did not adopt the standard during the year under review.</i></p>	Effective for annual periods beginning on or after 1 <sup>st</sup> January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.</p> <p><i>The company did not adopt the standard during the year under review</i></p>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies.</p> <p><i>The company did not adopt the standard during the year under review</i></p>	The amendments are effective for annual periods beginning on or after January 1, 2023.



Title	Description	Effective Date
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.  The company did not adopt the standard during the year under review	The amendments are effective for annual periods beginning on or after January 1, 2023.

**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 2023.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
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.  The company did not adopt the standard during the year under review
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. The company did not adopt the standard during the year under review
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.  The company did not adopt the standard during the year under review

The Directors do not plan to apply any of the above until they become effective.

**Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year under review.

## 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 *company* 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 *company* 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 *company* 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 *company* 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	25 years

A full year's depreciation charge is recognized 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies**

**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.

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies**

**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 financial 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).

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies**

**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. 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.

**Notes to the Financial Statements (Continued)**  
**Summary of Accounting Policies**

**Deferred Tax**

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.

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies**

**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, 2022. 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. 1,080.00 per employee per month.

**u) Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue at the employees. A 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 2022/2023 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 page 7 of these financial statements.

**Notes to the Financial Statements (Continues)**

**a) 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.

**b) Comparative figures**

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

**c) 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, 2023.

**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.

**Notes to the Financial Statements (Continues)**

**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	2022/2023	2021/2022
	Kshs	Kshs
Sale Of Goods	25,656,977	23,195,208
Sale Of Services	33,152,606	41,122,095
<b>Total</b>	<b>58,809,583</b>	<b>64,317,303</b>

7. Cost of Sales

Description	2022/2023	2021/2022
	Kshs	Kshs
Cost of sales on goods	40,224,813	40,278,212
Cost of sales on services	5,893,166	11,758,928
<b>Total</b>	<b>46,117,978</b>	<b>52,037,139</b>

8. Finance Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest from commercial banks and financial institutions	2,715,342	-
<b>Total</b>	<b>2,715,342</b>	<b>-</b>

9. Other Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Investment Income	23,787,813	15,074,415
Other Miscellaneous Receipts	1,102,038	905,438
Rental Income	3,621,673	3,505,025
<b>Total</b>	<b>28,511,524</b>	<b>19,484,878</b>



## Notes to the Financial Statements (Continued)

## 10. Administration Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Staff costs (note (10a))	1,867,957	2,097,576
Directors' emoluments	414,400	330,700
Electricity and water	170,529	81,090
Communication services and supplies	370,500	1,089,559
Transportation, travelling and subsistence	1,034,408	1,183,700
Advertising, printing, stationery and photocopying	427,198	396,077
Rent expenses	453,750	413,851
Hospitality supplies and services	40,000	12,000
Bank charges and commissions	61,197	56,194
Office and general supplies and services	895,851	1,031,953
Auditors' remuneration	348,000	348,000
Licenses and permits	134,000	72,200
Repairs and maintenance	1,776,857	715,535
Depreciation	400,340	383,300
Other Operating Expenses	3,336,705	3,232,626
<b>Total</b>	<b>11,731,692</b>	<b>11,444,361</b>

## Notes to the Financial Statements (Continued)

## 10(a) Staff Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries and allowances of permanent employees	1,361,261	1,579,561
Employer's contributions to national social security schemes	27,600	12,000
Leave pay	27,211	34,487
Gratuity provisions	252,045	471,528
Staff welfare	199,840	-
<b>Total</b>	<b>1,867,957</b>	<b>2,097,576</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – management	4	4
Temporary and contracted employees	42	42
<b>Total</b>	<b>46</b>	<b>46</b>

## 11. Selling and Distribution Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Marketing and Promotional expenses	-	299,280
<b>Total</b>	<b>-</b>	<b>299,280</b>

Notes to the Financial Statements (Continued)

12. Operating Profit/ (Loss)

Description	2022/2023	2021/2022
	Kshs	Kshs
<b>The operating profit/(loss) is arrived at after charging/(crediting):</b>		
Staff Costs (Note 10a)	1,867,957	2,097,576
Depreciation of property, plant and equipment	9,732,441	13,387,140
Directors' emoluments – fees	414,400	330,700
Auditors' remuneration - current year fees	348,0000	348,0000
Rent receivable	(3,621,673)	(3,505,025)

13. Income Tax Expense/(Credit)

a) Income tax charge/ credit

Description	2022/2023	2021/2022
	Kshs	Kshs
Current taxation based on the adjusted Profit for the year at 30%	9,656,034	6,006,420
<b>Total</b>	<b>9,656,034</b>	<b>6,006,420</b>

b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

Description	2022/2023	2021/2022
	Kshs	Kshs
Profit before taxation	32,186,779	20,021,401
Tax at the applicable tax rate of 30%	9,656,034	6,006,420
<b>Total</b>	<b>41,842,813</b>	<b>26,027,821</b>

14. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. 14,014,981 (14,014,981 \*40%): Kshs. 5,605,992 by the average number of ordinary shares in issue during the year of 250,000 There were not dilutive or potentially dilutive ordinary share as at the reporting date.

15. Dividend per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM).

**Notes to the Financial Statements (Continued)**

**16. Property, Plant and Equipment**

<b>Description</b>	<b>Freehold land</b>	<b>Buildings &amp; civil works</b>	<b>Plant and machinery</b>	<b>Motor vehicles, including, motor cycles</b>	<b>Computers &amp; related equipment</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>Workshop tool</b>	<b>Sewerage Disposal</b>	<b>Biological Assets</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Cost or valuation</b>										
<b>At July 1, 2021</b>	280,000	13,016,330	117,759,373	1,979,999	3,038,152	1,787,425	223,961.00	2,080,313.00	-	140,165,553
Additions		-	3,365,185	-	-	-	-	-	-	3,365,185
Revaluation	33,720,000	218,459,162	-	892,000	-	-	-	-	9,400,000	262,471,162
<b>At June 30, 2022</b>	<b>34,000,000</b>	<b>231,475,492</b>	<b>121,124,558</b>	<b>2,871,999</b>	<b>3,038,152</b>	<b>1,787,425</b>	<b>223,961</b>	<b>2,080,313</b>	<b>9,400,000</b>	<b>406,001,900</b>
<b>Depreciation</b>										
At July 1, 2021	-	10,586,656	112,602,022	1,979,999	2,695,652	1,756,177	203,261	-	-	129,823,767
Charge for the year	-	8,092,396	4,917,069	222,381	145,124	2,967	7,203	-	-	13,387,140
<b>At June 30, 2022</b>	<b>34,000,000</b>	<b>18,679,052</b>	<b>117,519,091</b>	<b>2,202,380</b>	<b>2,840,776</b>	<b>1,759,144</b>	<b>210,464</b>	<b>-</b>	<b>-</b>	<b>143,210,907</b>
<b>Net book value at June 30, 2022</b>	<b>34,000,000</b>	<b>212,796,440</b>	<b>3,605,467</b>	<b>669,619</b>	<b>197,376</b>	<b>22,656</b>	<b>13,497</b>	<b>2,080,313</b>	<b>9,400,000</b>	<b>262,785,369</b>

**Mwea Rice Mills Limited**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023**

**Notes To The Financial Statements (Continued)**

**Property, Plant and Equipment (Continued)**

<b>Description</b>	<b>Freehold land</b>	<b>Buildings &amp; civil works</b>	<b>Plant and machinery</b>	<b>Motor vehicles, including, motor cycles</b>	<b>Computers &amp; related equipment</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>Workshop tool</b>	<b>Sewerage Disposal</b>	<b>Biological Assets</b>	<b>Total</b>
<b>Cost or valuation</b>										
As At 1 <sup>st</sup> July 2022	34,000,000	231,475,492	121,124,558	2,871,999	3,038,152	1,787,425	223,961	2,080,313	9,400,000	406,001,900
Prior year Adjustment	-	(11,102,071)	-	-	-	-	-	-	-	(11,102,071)
Additions	-	-	-	-	114,000	-	-	-	-	114,000
<b>As At 30<sup>th</sup> June 2023</b>	<b>34,000,000</b>	<b>220,373,421</b>	<b>121,124,558</b>	<b>2,871,999</b>	<b>3,152,152</b>	<b>1,787,425</b>	<b>223,961</b>	<b>2,080,313</b>	<b>9,400,000</b>	<b>395,013,829</b>
<b>Depreciation</b>										
At July 1, 2022	-	18,679,052	117,519,091	2,202,380	2,840,776	1,764,769	210,464	-	-	143,216,532
Prior year Adjustment	-	(9,887,458)	-	-	-	-	-	-	-	(9,887,458)
Charge for the year	-	8,815,907	516,194	223,000	170,137	-	7,203	-	-	9,732,441
<b>As At 30<sup>th</sup> June 2023</b>	<b>-</b>	<b>17,607,501</b>	<b>118,035,285</b>	<b>2,425,380</b>	<b>3,010,913</b>	<b>1,764,769</b>	<b>217,667</b>	<b>-</b>	<b>-</b>	<b>143,061,515</b>
<b>Net book value At June 30, 2023</b>	<b>34,000,000</b>	<b>202,765,920</b>	<b>3,089,273</b>	<b>446,619</b>	<b>141,239</b>	<b>22,656</b>	<b>6,294</b>	<b>2,080,313</b>	<b>9,400,000</b>	<b>251,952,314</b>

**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 1<sup>st</sup> 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
Land	34,000,000	-	34,000,000
Buildings	220,373,421	17,607,501	202,765,920
Plant And Machinery	121,124,558	118,035,285	3,089,273
Motor Vehicles, Including Motorcycles	2,871,999	2,425,380	446,619
Computers And Related Equipment	3,152,152	3,010,913	141,239
Office Equipment, Furniture, And Fittings	1,787,425	1,764,769	22,656
Workshop tool	223,961	217,667	6,294
Sewerage Disposal	2,080,313	-	2,080,313
Biological Assets	9,400,000	-	9,400,000
	<b>395,013,829</b>	<b>143,061,515</b>	<b>251,952,314</b>

Notes To The Financial Statements (Continued)

17. Investment Property

Description	2022/2023	2021/2022
	Kshs	Kshs
Opening Valuation	583,039,371	-
Prior year Adjustment	(377,740)	
<b>Movements During The Year</b>		
Revaluation	-	583,039,371
<b>Closing Valuation</b>	<b>582,661,631</b>	<b>583,039,371</b>
<b>Depreciation (If At Cost)</b>		
At July 1	11,621,659	-
Prior year Adjustment	(1,592,353)	
Charge For The Year	11,970,723	11,621,659
<b>At June 30</b>	<b>22,000,030</b>	<b>11,621,659</b>
<b>Net Book Value</b>		
At June 30	560,661,601	571,417,712

18. Inventories

Description	2022/2023	2021/2022
	Kshs	Kshs
Raw materials	7,140,810	7,124,761
Finished goods	321,440	283,890
<b>Total</b>	<b>7,462,250</b>	<b>7,408,651</b>

18 b) Consumables

Description	2022/2023	2021/2022
	Kshs	Kshs
Engineering stores	11,226,689	12,618,673
Stationery and general stores	-	81,693
<b>Total</b>	<b>11,226,689</b>	<b>12,700,366</b>

Notes To The Financial Statements (Continued)

19. Trade and Other Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade Receivables (Note 19 (a))	14,303,350	13,875,862
Deposits and prepayments	80,920	80,920
Staff receivables (Note 19 (c))	1,663,300	1,663,300
Other receivables	20,421,874	20,421,874
<b>Gross Trade and Other Receivables</b>	<b>36,488,156</b>	<b>36,041,956</b>
Provision for Bad And Doubtful Receivable	(18,712)	(20,440,586)
Write-off of bad debts	(20,440,586)	
<b>Net Trade and Other Receivables</b>	<b>16,028,858</b>	<b>15,601,370</b>

\* Provision for doubtful debts of Kshs. 20,421,874 has been written off in the financial year 2022-2023.

19 (a) Trade Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Gross Trade Receivables	14,303,350	13,875,862
Provision for Doubtful Receivables	(18,712)	(18,712)
Net Trade Receivables	<b>14,284,638</b>	<b>13,857,150</b>
<b>ageing analysis of gross Trade Receivables</b>		
Less than 30 Days	3,738	-
Between 30 and 60 Days	1,019,460	-
Over 120 Days	13,280,152	13,875,862
<b>Total</b>	<b>14,303,350</b>	<b>13,875,862</b>

19 (c) Staff Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Gross staff loans and advances	1,663,300	1,663,300
Net staff loans	<b>1,663,300</b>	<b>1,663,300</b>
Amounts due after one year	1,663,300	1,663,300



Notes to the Financial Statements (Continued)

20. Tax Recoverable

Description	2022/2023	2021/2022
	Kshs	Kshs
At beginning of the year	1,952,021	1,952,021
At end of the year	1,952,021	1,952,021

Since the tax of Kshs.8,784,785 was calculated and agreed by the tax consultant and KRA, the amount was transferred to the debtors' account. However, the balance to date is Kshs. 1,952,021

21. Bank and Cash Balances

Description	2022/2023	2021/2022
	Kshs	Kshs
Cash at bank	152,746,633	117,482,609
Cash in hand	-	276
<b>Total</b>	<b>152,746,633</b>	<b>117,482,885</b>

Detailed analysis of the cash and cash equivalents

Description	Account number	2022/2023	2021/2022
		Kshs	Kshs
<b>Financial institution</b>			
<b>a) Current Account</b>			
BARCLAYS BANK QUEENSWAY(NBI)	0945035838	82,537,716	65179461
KCB Wanguru	1103971387	10,208,917	12,303,148
<b>Sub- Total</b>		<b>92,746,633</b>	<b>77,482,609</b>
<b>b) Fixed Deposits Account</b>			
KCB Wanguru	1103971387	60,000,000	40,000,000
<b>Sub- Total</b>		<b>60,000,000</b>	<b>40,000,000</b>
<b>c) Others (Specify)</b>			
Cash in hand		-	276
<b>Sub- Total</b>		<b>-</b>	<b>276</b>
<b>Grand Total</b>		<b>152,746,633</b>	<b>117,482,885</b>

Notes To The Financial Statements (Continued)

22. Ordinary Share Capital

Description	2022/2023	2021/2022
	Kshs	Kshs
<b>Authorized:</b>		
250,000 Ordinary Shares of Kshs20/= par value each	5,000,000.00	5,000,000.00
<b>Issued and Fully paid:</b>		
250,000 Ordinary Shares of Kshs20/= par value each	5,000,000.00	5,000,000.00

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.

	2022/2023	2021/2022
	KSHS	KSHS
<b>Revaluation reserve brought forward</b>	833,888,874	
Revaluation of Maisonettes	-	63,433,821
Revaluation of Leader House	-	188,368,000
Revaluation of Land (Outlet shop)	-	33,720,000
Revaluation of Land (Maissionettes)	-	331,237,550
Revaluation of Buildings	-	218,459,162
Revaluation of MRM Outlet	-	9,480,000
Revaluation of Pickup KBPL 881 W	-	892,000
Amortization of Investment property	(11,970,724)	(11,621,659)
<b>Net book Value</b>	<b>821,918,150</b>	<b>833,888,874</b>

24. General Reserve

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

**25. Retained Earnings**

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

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>KSHS</b>	<b>KSHS</b>
Balance b/f	1,986,117.00	(12,032,801)
Prior year adjustment on retained earnings *	(1,350,000.00)	-
Profit/( loss) for the year	22,530,745.00	14,018,918
Dividends payable	(5,605,993.00)	-
Balance c/f	<b>17,560,868</b>	<b>1,986,117.00</b>

\* Kshs 1,350,000.00 refers to dividends paid but not journalized in the ERP system (General Ledger)

**26. 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 the National Irrigation Authority by Mwea Rice Mills. The levy was to be used for rehabilitating the mills. The Authority has since shed off non-core functions like processing and marketing of rice and therefore, the levy is no longer chargeable

Notes to the Financial Statements (Continued)

27. Government proposed levy

Description	2022/2023	2021/2022
	KSHS	KSHS
Government proposed levy **	22,037,370	22,037,370
	<b>22,037,370</b>	<b>22,037,370</b>

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

28. Trade and Other Payables

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	2,828,275	2,884,757
Accrued expenses	21,622,525	12,314,491
Employee payables	807,054	789,415
Other payables	43,339,597	49,136,817
<b>Total</b>	<b>68,597,451</b>	<b>65,125,480</b>

Aging Analysis for Trade and other Payables]

	2022/2023	% of the total	2021/2022	% of the total
Under one year	64,764,037	94.83%	60,548,202	92.97%
1-2 years	173,356	0.23%	1,910,650	2.93%
2-3 years	1,876,000	2.53%	1,658,818	2.55%
Over 3 years	1,784,058	2.40%	1,007,810	1.55%
<b>Total</b>	<b>68,597,451</b>	<b>100%</b>	<b>65,125,480</b>	<b>100%</b>

**Notes to the Financial Statements (Continued)**

**29. Dividends Payable**

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analyzed in annual amount below.

<b>Description</b>	<i>2022/2023</i>	<i>2021/2022</i>
	<b>Kshs</b>	<b>Kshs</b>
Additional declared during the year	5,605,992.00	-
Balance at end of the year	<b>5,605,992.00</b>	-
<b>Ageing analysis:</b>		
Under one year	5,605,992.00	-
<b>Total</b>	<b>5,605,992.00</b>	-

*(Dividends payable to ordinary shareholders amounts to Ksh. 5,605,992.00, while dividends payable to preference shareholders amounts to Ksh 0.00).*

Notes to the Financial Statements (Continued)

30. Notes to the Statement of Cash Flows

Description	2022/2023	2021/2022
	Kshs	Kshs
<b>(a) Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations</b>		
Profit or Loss before tax	32,186,779	20,021,401
Depreciation	9,732,441	13,392,765
Retained Earnings Adjustments	(1,350,000)	-
Operating Profit/(Loss) before Working Capital changes	<b>40,569,220</b>	<b>33,414,166</b>
(Increase)/Decrease in Inventories	1,420,078	896,397
(Increase)/Decrease in Trade and Other Receivables	(427,488)	1,510,465
Increase/(Decrease) in Trade and Other Payables	9,077,964	8,464,366
Cash Generated from/(used In) operations	<b>50,639,774</b>	<b>44,285,394</b>
<b>(b) Analysis of Cash and Cash equivalents</b>		
Cash At Bank	152,746,633	117,482,609
Cash In Hand	-	276
Balance At End Of The Year	152,746,633	117,482,885

\* The retained earnings adjustments reflect the recognition of dividends paid in the previous year for which no corresponding provision was established.

31. Related Party Disclosures

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *entity*, holding 55% 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)

**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)**

<b>Description</b>	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2022</b>				
Receivables from exchange transactions	13,875,862	13,857,150	18,712	-
Bank balances	117,482,608	117,482,608	-	-
<b>Total</b>	<b>131,358,470</b>	<b>131,339,758</b>	18,712	-
<b>At 30 June 2023</b>				
Receivables from exchange transactions	14,303,350	14,284,638	18,712	-
Bank balances	152,746,633	153,780,633		
<b>Total</b>	<b>167,049,983</b>	<b>168,065,271</b>	<b>18,712</b>	

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
<b>At 30 June 2022</b>				
Trade payables			2,884,757	2,884,757
<b>Total</b>			<b>2,884,757</b>	<b>2,884,757</b>
<b>At 30 June 2023</b>				
Trade payables			2,828,275	2,828,275
Provisions	348,000		5,605,992.00	5,953,992
<b>Total</b>	<b>348,000</b>		<b>8,434,267</b>	<b>8,782,267</b>

**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) 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.

**Notes To The Financial Statements (Continued)**

**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.

Notes To The Financial Statements (Continued)

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	2022/2023	2021/2022
	Kshs	Kshs
Revaluation reserve	821,918,152	833,888,875
Retained earnings	19,612,952	1,986,113
Ordinary Share Capital	5,000,000	5,000,000
<b>Total Funds</b>	<b>846,531,104</b>	<b>840,874,988</b>
Total Liabilities	96,240,814	87,162,850
Less: Cash and Bank balances	-153,780,633	-117,482,885
Net Debt/(Excess Cash and Cash Equivalents)	<b>(57,539,819)</b>	<b>(30,320,035)</b>
<b>Gearing</b>	<b>-1471%</b>	<b>-2773%</b>

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.

**20. 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe:</b>
1	<p><b>Properties without Ownership Documents</b>                      The statement of financial position reflects investment property with a net book value of Kshs.571,417,712, as disclosed in Note 12 to the financial statements. Included in this balance is the value of houses located in Kilimani Nairobi County, along Lenana Road, and a residential building located in Mwea, Kirinyaga County. However, ownership documents provided for audit indicates that the land on which the houses in Nairobi are located is registered in the name another company while the land on which the building in Mwea is located is registered in the name of the original owners. In addition, some of the original owners have subdivided the parcel of land and transferred its ownership to third parties.</p> <p>In the circumstances, the ownership of the investment properties amounting to Kshs.571,417,712 could not be confirmed.</p>	<p>i. The management is not aware of a residential building located in Mwea, Kirinyaga County but an out shop for rice selling purpose. The land on which the building in Mwea is located is neither registered in the name of the original owners nor have some of the original owners subdivided the parcel of land and transferred its ownership to third parties.</p> <p>ii. The property located in Kilimani Nairobi County, along Lenana Road was purchased under a different title regime and that is why the ownership document is different from what we see under the current title</p>	<p>Resolved</p> <p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		regime. As per the search document which was done by L.G. Kimani & Co. Advocates and Commissioners for Oaths it is clear that the ownership of this said property is under MRM Ltd. From the search document, the conveyance dated 22nd July, 1981 indicates; The Mwea Rice Mills Limited as the last entry. Thus, confirming its legal ownership		
2 2.1	<p><b>Trade and Other Receivables</b>  <b>Long Outstanding Trade and Other Receivables</b>  The statement of financial position reflects trade and other receivables of Kshs.15,601,370, after provision for doubtful debts of Kshs. 16,815,053, Kshs.18,712 and Kshs. 3,606,821 on continental credit finance, trade debtors and interest on deposits respectively and as disclosed in Note 14 to the financial statements . However, debtors ageing analysis revealed that trade debtors totaling to Kshs.11,726,641 have been outstanding for over five (5) years and the debtors have not been active for the</p>	The management has not provided for these debts as the accounts are active.	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>same period of five (5) years. The provision for trade debtors of Kshs.18,712 is therefore considered inadequate and Management did not explain why a provision for doubtful debts of only Ksh. 18,712 has been made considering the huge balance of Kshs. 11,726,641 held by inactive debtors.</p> <p>In the circumstances, the accuracy , completeness and recoverability of the trade and other receivables balance of Kshs.15,601,370 could not be confirmed..</p>			
3	<p><b>Non-remittance of Outstanding Tax</b></p> <p>The statement of financial position reflects trade and other payables balance of Kshs.65,125,478 as disclosed in Note 23 to the financial statements, which includes tax provision of Kshs.10,576,179. This balance, which was brought forward from prior years, remained unpaid as at 30 June 2016. The related penalties and interests on the unpaid taxes have not been provided for in the financial statements. There was no evidence of measures taken by Management to pay the tax due, together with the related penalties and interest. In addition, no analysis of the outstanding taxes of Kshs.10,576,179, was provided for audit .</p> <p>In the circumstances, the accuracy, completeness and full settlement of the payables balance of</p>	<p>The figure of Ksh.1, 952,021 as at 30 June 2019 refers to the figure that remained in the books after the consultant had filled previous tax liabilities with KRA. The same is a tax credit hence a receivable in the company books. It is known that KRA does not refund tax to tax payers. This has led to the figure remaining in the books till the time it will be offset when the current tax is paid.</p>	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	Kshs.10,576,179 and undisclosed penalties and interest could not be confirmed.			
4	<p><b>Doubtful Tax Recoverable</b></p> <p>The statement of financial position reflects a tax asset of Kshs.1,952,021, as disclosed in Note 16 to the financial statements. This tax balance, which is owed to the Company by the Kenya Revenue Authority (KRA), has been outstanding since the 2016/2017 financial year. There was no evidence of measures taken by Management to recover the balance from the KRA.</p> <p>In the circumstances, accuracy, completeness and recoverability of the tax recoverable amount of Kshs.1,952,021 could not be confirmed.</p>	<p>The figure of Ksh.1, 952,021 as at 30 June 2019 refers to the figure that remained in the books after the consultant had filled previous tax liabilities with KRA. The same is a tax credit hence a receivable in the company books. It is known that KRA does not refund tax to tax payers. This has led to the figure remaining in the books till the time it will be offset when the current tax is paid.</p>	Resolved	



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p><b>Lack of Annual General Meeting</b> The Company did not hold an Annual General Meeting during the year under review, contrary to requirement under the Companies Act, 2015, Section 310 (1) which states that ‘every public company shall hold a general meeting as its annual general meeting within six months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period.</p> <p>In the circumstances, Management is in breach of the Act.</p>	<p>The company did not hold the annual general meeting as the financial statements for the financial year 2021/2022 under review had not been certified.</p>	<p>Resolved</p>	
	<p><b>Lack of an Audit Committee</b></p> <p>As previously reported, review of effectiveness of internal controls revealed that the Company does not have an audit committee. Although the Company uses the internal audit function for National Irrigation Authority, there is no audit committee to review the work of the internal auditor and assess the efficiency and effectiveness of its operational and risk management processes.</p>	<p>It has not been possible for the board to come up with the recommended committees for the Company due to the lean composition. The board comprises of the following;</p> <ul style="list-style-type: none"> <li>i. The Chairman who is also the Chairman of National Irrigation Authority (NIA).</li> </ul>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	In the circumstances, the effectiveness of internal controls and risk management of the Company could not be confirmed.	<ul style="list-style-type: none"> <li>ii. The Managing Director who is the CEO for National Irrigation Authority.</li> <li>iii. The representative of the Principal Secretary, Ministry of Finance.</li> <li>iv. The representative of the Principal Secretary, Directorate of Irrigation, Ministry of Water, Sanitation and Irrigation.</li> <li>v. The representative of the Inspectorate of State Corporations.</li> <li>vi. The Chairman of the Mwea Irrigation Scheme farmers'</li> </ul>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		<p>Co-operative Society (MRGM).</p> <p>vii. The treasurer of the Mwea Irrigation Scheme farmers' Co-operative Society (MRGM).</p> <p>Based on this composition, the Company issues are addressed by the entire team of directors.</p>		



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

Managing Director

Date: 26/02/2024

