

REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

OF

THE AUDITOR-GENERAL

ON

WESTERN KENYA RICE MILLS LIMITED

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



***WESTERN KENYA
RICE MILLS LIMITED***

WESTERN KENYA RICE MILLS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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

Western Kenya 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

IFRS	<i>International Financial Reporting Standards</i>
MD	<i>Managing Director</i>
WKRM	<i>Western Kenya Rice Mills Limited.</i>
NIA	<i>National Irrigation Authority</i>
NCPB	<i>National Cereals and Produce Board</i>
ENG	<i>Engineer</i>
AG.	<i>Acting</i>
HON.	<i>Honorable</i>
KNTC	<i>Kenya National Trading Corporation</i>
KEBS	<i>Kenya Bureau of Standards</i>
LTD	<i>Limited</i>
OIMS	<i>Operations & Irrigation Management Services</i>

2. Key Entity Information

a) Background information

The *Western Kenya Rice Mills Ltd.* was established by the Companies Act CAP 486(now repealed and substituted with Companies Act 2015) on (5th May 1967).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

b) Principal Activities

The principal activity of the Company is processing and marketing of milled white rice mainly from Western Kenya Schemes. However, due to changes in the business environment, the Company sometimes deals in the marketing of paddy and also purchasing of processed rice and selling to its customers.

The mill has an installed milling capacity of 3.5 metric tons per hour, which is currently not maximized due to depleted condition of the Mill.

The mill markets its products as Aromatic Pishori and Non-Aromatic Ahero Rice. The by-products are mainly: Broken rice, Chicken feed and Rice bran

WKRM also undertakes commercial milling on behalf of clients. Our major client is National Cereals and Produce Board (NCPD) and Kenya National Trading Corporation (KNTC). Our target customers are vendors, schools, universities, hospitals and public institutions, wholesalers and individual buyers.

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
- Exited on 18/05/2023 |
| 2. Eng. Gilbert M. Maluki | - Chairman | - Appointed on 18/05/2023 |
| 3. Mr. Jason Ong'any | - Representative - Ahero Multipurpose Co-operative Society | - Appointed on 2019 |

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4. Mr. Peter Waweru - Representative - Inspectorate of State Corporations - Appointed on 2019
5. Mr. David Odhiambo - Representative – West Kano Multipurpose Co-operative Society - Appointed on 2019
6. Mr. Aboud Moeva - Alternative representative to PS, State Department of Irrigation, Ministry of Water Sanitation and Irrigation - Appointed on 14/12/2018
7. Mr. Victor Momanyi - Inspectorate of State Corporations - Appointed on 08/06/2022
8. Mr. Charles Kairu - Alternative representative to CS, National Treasury - Appointed on 14/10/2015
9. Mr. Michael Congo - Representative Magombe Cooperative Societies - Appointed on 29/05/2018
10. Mr. Gitonga Mugambi, EBS - Managing Director - Appointed on 01/08/2017
- Exited on 30/11/2022
11. Eng. Charles M. Muasya - Managing Director - Appointed on 06/12/2022

d) Company Secretary

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

e) Factory

Ahero
P.O. Box 1010-40100
KISUMU

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

Website: www.irrigation.go.ke

h) Company Bankers

1. Kenya Commercial Bank
P.O. Box 393
Kisumu


i) Independent Auditors


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


j) Principal Legal Advisers



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



3. The Board of Directors



SN	Directors	Details
1.	<p style="text-align: center;">HON. ENG. JOSHUA N. TORO- CHAIRMAN</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 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</p>



		<p>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.</p> <p>He is a registered Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of Institution of Engineers of Kenya.</p>
2.	<p>ENG. GILBERT MUTUA MALUKI NDONYE- CHAIRMAN</p> 	<p>Eng. Gilbert Maluki was appointed as the Chairman of National Irrigation Authority Board of Directors through Kenya Gazette Notice No. 6281 of the Kenya Gazette Vol. CXXV-No. 116, dated on May 19, 2023. He holds a Bachelor of Science Degree in Agricultural Engineering from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and certificates in Finance Management and Sales & Marketing. Some of his key achievements include the design and development of a token-based Smart Meter for Liquefied Petroleum Gas (LPG) cylinders and facilitating its implementation and rollout in the East Africa region (Kenya, Uganda, and Tanzania) at M-Gas PLC. He was also a principal member of the team involved in building Pro Gas from inception to become the regional leader in LPG, with a 48% market share. He is a proactive, conscientious and adaptable professional with over ten years of experience in multi-layered projects and operational works in the oil and gas industry in East and Southern Africa (Kenya, Tanzania, and Mozambique), with an impeccable track</p>

		<p>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>
3.	<p>MR. MICHAEL CONGO REPRESENTATIVE – MAGOMBE MULTIPURPOSE CO-OPERATIVE SOCIETY</p> 	<p>Mr. Michael Congo Ouma joined the Company’s Board on 29th May 2018. He is a Non-Executive Director representing Magombe Multi-Purpose Co-operative Society Ltd, an umbrella Society of farmers in Bunyala Irrigation Scheme and a shareholder of the company.</p> <p>His previous assignments include, a member of the Steering committee Bunyala Family Development project funded by World Vision Kenya from 1988-1997, Secretary to Ford Kenya Budalangi Sub-Branch in 1996 and Councilor Bunyala South Ward as well as Chairman of the Full Council (Busia County Council) from 1999-2007. His current occupation is commercial rice farming</p>

<p>4.</p>	<p>MR DAVID ODHIAMBO NDHINE, NON-EXECUTIVE DIRECTOR</p> 	<p>Mr David Odhiambo Ndhine is A committed lecturer with over 6 years' experience. He holds an MBA in Finance, a Post Graduate Diploma in Marketing and A Bachelor of Arts in Administration. He was the Centre Manager/ Lecturer at Dalc Education from 2010-2013. Principal/Lecturer at Ribm Maseno University, Migori Campus as from August 2013 to May 2014. Part-Time Lecturer at Kisii University as from April 2016 to August 2017. He is currently a Part-Time Lecturer at Laikipia University from April 2015, at Jaramogi Odinga Oginga University, teaching undergraduates; Financial management, Marketing strategy and planning, Business Ethics and Cost Accounting</p>
<p>5.</p>	<p>MR. ABOUD MOEVA, ALTERNATE REPRESENTATIVE OF THE PRINCIPAL SECRETARY, DIRECTORATE OF IRRIGATION, MINISTRY OF WATER, SANITATION AND IRRIGATION</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 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>MR JASHON ONG'ANY, NON-EXECUTIVE DIRECTOR</p> 	<p>MR Jashon Ong'any joined the board in 2019 representing Ahero Multipurpose Co-operative Society. He is a retired police officer, was holding the post of senior superintendent of police having served for 34 years. He headed various countries as criminal investigations within the Republic of Kenya. He is also a holder of Diploma in public Relations and Ethics from Kenyatta University and a holder Master's degree in Peace Conflict studies from Kampala University. He is currently a director of Jashon Security Services (a company dealing with investigations and security management). He is also a staunch rice farmer at Ahero Irrigation Scheme.).</p>
<p>7</p>	<p>MR. CHARLES KAIRU – ALTERNATE REPRESENTATIVE TO PRINCIPAL SECRETARY, NATIONAL TREASURY NON-EXECUTIVE DIRECTOR</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>Mr. PETER WAWERU- INSPECTORATE OF STATE CORPORATIONS</p> 	<p>Mr. Waweru joined the Board in June 2018 representing Inspector General (Corporations). He holds a Master of Business Administration Degree (Marketing option) and Bachelor of Commerce Degree (Accounting option). His current position is Deputy Inspector General (Corporations). He has served in various capacities including being a Town Clerk in the defunct Local Authorities.</p>
<p>9</p>	<p>MR. VICTOR MOMANYI, ALTERNATE REPRESENTATIVE OF INSPECTOR GENERAL, STATE CORPORATIONS</p> 	<p>Mr Victor Momanyi was appointed to the Board on 8th June 2022. He is a holder of Masters Degree in Public Sector Management from Africa University and Bachelor's Degree in Education from Kenyatta University. 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>10</p>	<p>MR. GITONGA MUGAMBI, EBS- MANAGING DIRECTOR</p> 	<p>Mr. Gitonga Mugambi was born on 24th Dec. 1967. He was appointed the General Manager of National Irrigation Authority on 1st August 2017 and exited on 30th 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>11</p>	<p>ENG. CHARLES MUASYA, MBS – MANAGING DIRECTOR</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 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>12.</p>	<p>NANCY M. WAMBUGU, HEAD OF ICT& AG COMPANY SECRETARY.</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>
<p>13</p>	<p>MS. JULLYANNE AWINO OKELLO - AG COMPANY SECRETARY</p> 	<p>Ms. Jullyanne is the Ag. Corporation Secretary of the Authority since 28th February 2023. She provides Board Secretarial Duties and ensures that the Board has the resources required to fulfil its fiduciary duties. She is also the Ag. Principal Planning Officer, heading the Monitoring and Evaluation function of the Institution. Ms. Okello holds a Bachelor of Science from Kenyatta University, a Master of Business Administration from The University of Nairobi and a Master of Science in Project Management from Jomo Kenyatta University of Agriculture and Technology. She is currently pursuing a Master of Science in Monitoring and Evaluation and a Doctor of Philosophy in Project Management both at Jomo Kenyatta University of Agriculture and Technology.</p>

4. Key Management Team

SN	Management	Details
1		<p>Mr. Gitonga Mugambi, EBS- Managing Director</p> <p>Mr. Gitonga Mugambi was born on 24th Dec. 1967. He was appointed the General Manager of National Irrigation Authority on 1st August 2017 and exited on 30th 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>Eng. Charles Muasya – Managing Director</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 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>Mr. Daniel Atula Masatia, - Deputy General Manager – Corporate Services.</p> <p>Mr. Daniel Atula Masatia was appointed the Deputy General Manager (Corporate Services) on 1st February 2023 having acted in that capacity for 3 years. Preceding his appointment as the Deputy General Manager (CS), he was the Deputy General Manager, Operations & Irrigation Management Services of National Irrigation Authority since 2018. He holds an MBA in Strategic Management and Bachelor of Science degree in Agriculture from University of Nairobi.</p> <p>He is an accomplished Agriculturalist and Manager with experience of over 30 years in Scheme, Projects and Research Operations, Planning and Strategy Formulation and Implementation, Resource Mobilization, Formulation and execution of Irrigation Programmes ranging from Development to Operations. His experience and expertise is valuable in Policy Formulation and in the provision of Irrigation Services.</p>
<p>4</p>		<p>Mr. Joel Kipkemboi Tanui – Ag. Deputy General Manager - Operations & Irrigation Management Services / Chief Officer (OIMS)</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>

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

I am delighted to present to you our 44th Annual Report and Financial Statements for the year ended 30 June 2023.

The year 2021 will be remembered as the year of COVID-19. As the pandemic swept across the globe it caused an unprecedented public health crisis, throwing the world economy into great turbulence and a sense of uncertainty, with terrible loss of lives and livelihoods across the globe as economic recession became the norm for so many sectors.

This scenario coupled with the rice mill machine operating below capacity presented a unique challenging environment for the company. Financial performance in the Financial year 2022-23 remained depressed affected majorly by the aging milling plant which could not mill rice to the projected quantity and quality; hence the loss of critical markets such as KNTC, public institutions and retailers. While the year was not a record year in terms of financial performance, we took a deliberate path to vigilantly manage our costs, with a view to improving the performance despite the limited capital base.

In an effort to turn-around the company's fortunes, the Board reached out to the County Government of Kisumu for support towards purchase and installation of a new rice mill. This was agreed upon and as at the end of the financial year, the County had procured the mill, and awaiting installation. As we prepare to receive the new milling plant, capital outlay remains a serious challenge to the Company and the board and shareholders are in a discussion on how to raise capital for purchase of paddy from rice farmers. With cutthroat competition in the rice sub-sector, there is need to focus on putting in place strategic measures to ensure that the Company regains its position as the leading rice miller in western Kenya. With the support of the County Government and the shareholders, I am optimistic the Company will raise the required capital to be able to remain afloat and improve its business objective.

I also applaud initiatives being implemented by the Government under the Bottom Up Economic Transformation Agenda, specifically targeted at increased acreage under rice production. This gives us a projection of a brighter future in the rice milling industry, and therefore we are looking forward to aligning ourselves with the ever-changing consumer and market needs, Government policy shifts,

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and changing business environment. It is our hope that once the mill is installed and capitated, it will increase its turnover and eventually realize profits.

Finally, I wish to extend my sincere appreciation to all our customers, business associates and service providers for their endearing trust, support and loyalty to our company, which inspires our commitment to turn-around the company's milling services in the region.

I am equally grateful to my fellow directors for the wise counsel and exemplary leadership they have continued to offer during the past year. I also wish to appreciate our outstanding Managing Director and his Management team for their exemplary work, but above all, a big thank you to our staff, whose indomitable spirit has been a credit to themselves and to our Company in what has been such a challenging year

Sign..........Date.....14/03/2024.....

ENG. GILBERT MUTUA MALUKI NDONYE
CHAIRMAN OF THE BOARD

6. Report of the Managing Director

It is my pleasure to present to you the annual report and financial statements of WCRM for the financial year 2022-2023.

I note the remarkable efforts and support accorded by the Board of Directors, Management and staff during the 2022/23 FY. The performance of the company has remained depressed which is attributed to a mix of factors among them limited capital outlay to purchase raw materials from farmers and an old/aging milling plant with very low recovery ratios which led to lose of crucial markets such as KNTC and retailers within the region.

The core business of Western Kenya Rice Mills Ltd has been milling and marketing of rice mainly from Ahero and West Kano Irrigation Scheme. In this way, WCRM has remained committed to promoting the productivity of the schemes. The Mills endeavors to play pivotal role in value-addition and generation of rural employment and economic growth for the local and regional population. Our overall goal is to ensure food security, stable paddy and rice prices and increased consumption of rice through improved market access. The year 2021 was a challenging year for the company in execution of its core business because of inconsistent paddy supply due to low capititation and the effect of COVID 19 pandemic on businesses.

Total sales for the year was Kshs. 254,530 which is a drop from the previous year. To achieve profitability, we are undertaking a number of initiatives to ensure that our products are available to our consumers on time;

- Installation of a new rice milling plant procured by the County Government of Kisumu to enhance efficiency and attract high number of customers
- Engagement with shareholders to raise the much needed capital to improve on the company's purchasing power.
- Developing a strong and aggressive sales and marketing system, earning on commission basis to ensure turnover.

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Finally, it is important to note that, WKRM has delivered more Human welfare benefits in ways not directly captured in audited financial reports. We have improved community welfare through stable prices and provision of local employment -both directly and indirectly.

To conclude, I once more appreciate our customers who have over the years continued to enjoy our array of products and for that, we are grateful. We promise to work continuously to address their ever-evolving needs. We also appreciate our suppliers, other business partners and regulators for their invaluable support

Sign.......... Date: 14/03/2024

ENG. CHARLES MUTINDA MUASYA, *MBS*
MANAGING DIRECTOR

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

Section 81 (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, WKRM 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

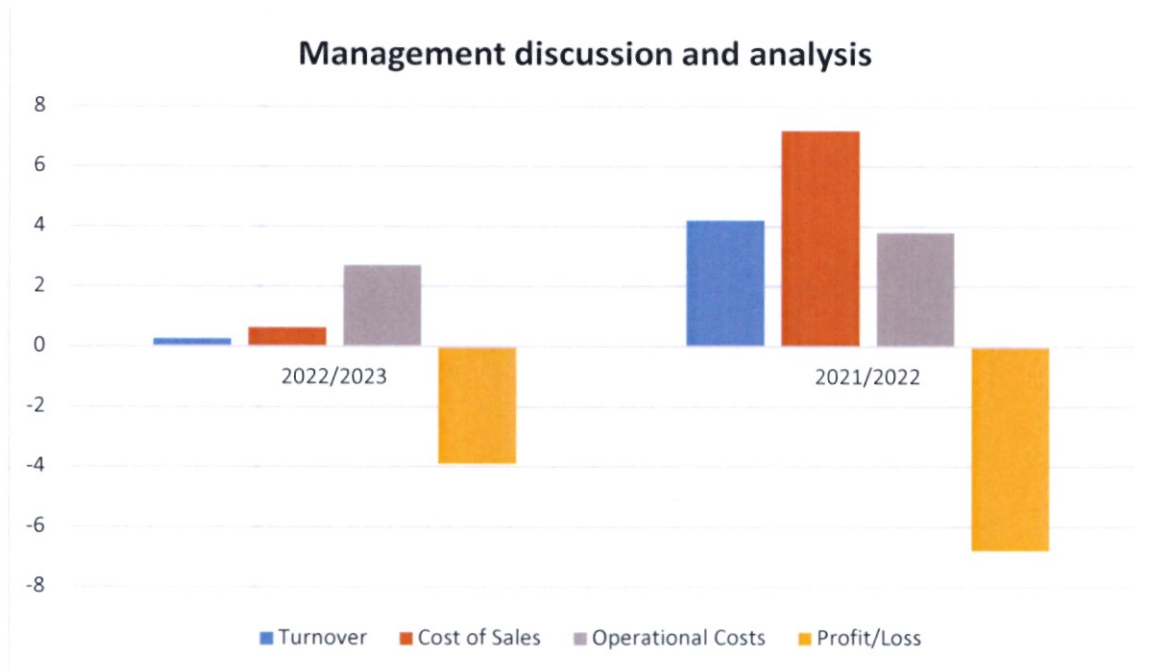
WKRM as a company fully engages the community in offering its services within the three public irrigation schemes of Ahero, West Kano and Bunyala. For the past year, WKRM reached out to the community through:

1. Provision of shelter to the flood affected farmers in the scheme covering the period April - August 2022, majority of the farmers were displaced by floods and WKRM stores and open spaces were used by the displaced farmers.
2. WKRM has also supported the rice farming community with price stability for the rice grown within the schemes through farmer guided pricing; hence farmers were not exploited by brokers and middle men.

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

9. Management Discussion and Analysis

The Company’s turnover for the current financial year 2022/2023 is Kshs. 254,530 while the previous years had Kshs. 4,239,348. Hence, 98% decrease as compared to the previous financial year 2021/2022. The cost of sales decreased from Kshs. 7,240,558 in the year 2021/2022 to Kshs. 641,934 in the current year 2022/2023. Thus resulting to 87 % decrease in cost of sales when comparing the two financial years. This information is highlighted in the form of a bar chart, below. The operational costs decreased from Kshs. 3,820,871 in the year 2021/2022 to Kshs. 2,744,554 in the current financial year 2022/2023 representing a decrease of 28 % in operational costs. The Company’s loss for the current financial year 2022/2023 decreased from Kshs. -6,777,856 for the year 2021/2022 to Kshs. -3,895,600 representing 43% decrease.



10. Environmental and Sustainability Reporting

Western Kenya Rice Mills (WCRM) 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 WCRM pillars: putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below is brief highlight of our achievements in each pillar;

1. Sustainability Strategy and Profile

Western Kenya Rice Mills (WCRM) Co. Ltd was incorporated in 1993 and is jointly owned by the National Irrigation Authority (then National Irrigation Board) (71.90% shareholding while the farmers through their Co-operative Societies have 28.10% shareholding).

Its core business is processing and marketing of milled white rice mainly from Western Kenya Schemes. Due to the liberalization of the East African Market, until late 2019, there had been cross border trading influx from Ugandan private businessmen and brokers that had negatively affected the operations of the mill as most paddy is being sold to the Uganda market as opposed to the mill due to;

- i. Cash purchasing of paddy from the farmers as opposed to delayed payments by WCRM due to liquidity issues.
- ii. Paddy quality requirements, where WCRM have set regulations and parameters with regards to impurities, grain maturity, moisture content and pure varieties. The other competitors cared less on the same and thus influencing farmers' decision making.
- iii. Unhealthy price competitions, whereas WCRM by the guidance with its Board of Directors/express directives would have a regulated purchasing price, the competitors would take advantage of this situation and hike prices in their favor.

This has led to under operations of the mill thus incurring losses for close to 10 yrs. In the year 2020 the mill came back to lifeline after the presidential directive that required mopping up of the Kano plain rice and selling to KNTC. However, the prices offered to the farmers by the directive is not favourable to the mill considering the operations costs, high maintenance costs brought about by the aging of the plant and the mill has not been able to break even in the last 9 months.

2. Environmental Performance

WKRM being an electrically motorized plant has had very limited environmental pollution with respect to air. However, the mill has little sound pollution and waste pollution as a result of the husk that comprises of 18% of the paddy milled. The Company has been able to dispose off all of its rice husks produced through;

- i. Selling to manufacturing companies for usage in either, fuel for the boilers, manufacturing of briquettes, manufacturing of chipboards and to the Cement companies that drive the pozzolan content of the husks for cement manufacturing.
- ii. Through our AIRS the rice husks to a good percentage have also been burnt to achieve an alkaline ash that has been widely used to balance the nutrient requirements for the paddy fields especially in the rice nurseries.
- iii. The mill has also undertaken a CSR activity by supporting the neighbouring community and schools with 3000 tree seedlings yearly in order to enhance forest cover thereby ensuring environmental conservation in the area.

3. Employee Welfare

- i. WKRM 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. WKRM has managed to keep her technical and supervisory level of staff for long and this has enabled the company to undertake and keep to an attainable level of its repairs and maintenance costs.
- iii. 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, WKRM 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

WKRM has outlined its effort to;

(a) Responsible Competition Practice

WKRM today operates in an oligopolistic environment where stiff competition is the order of the day. In such an environment the Company has endeavoured to 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

WKRM ensures that its creditors are paid in time i.e. 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

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

(d) Product Stewardship

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

WKRM products are tested and certified by KEBS.

5. Corporate Social Responsibility /Community Engagements

WKRM as a company fully engages the community it in offering its services within the three public irrigation schemes of Ahero, West Kano and Bunyala. For the past year, WKRM reached out to the community through:

- i. Material donation to the farmers who were adversely affected by floods in Ahero and West Kano. In the period April -August 2021, majority of the farmers were displaced by floods and WKRM donated rice to the affected. Schools also benefited from the donations and this went a long way in cushioning the community from hunger.
- ii. WKRM donated land for Kigoche school and college construction, construction of nursery classes in Kigoche primary and Kobura primary schools. WKRM has also supported renovation of early childhood learning centre in Ahero Irrigation scheme which has over 80 children. Among the works done include donation of iron sheets and timber for the renovation works.
- iii. WKRM has also supported the rice farming community with clean drinking water during funerals, community ceremonies and floods. WKRM has also partnered with National Irrigation Authority in provision of boreholes to farmers in West Kano and Ahero to ensure they access safe and clean drinking water at all times.
- iv. WKRM also supported sports activities to young people within the community through participation in youth football tournaments, provision of balls and uniforms to the youth groups within the schemes.

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 Western Kenya Rice Mills Ltd.'s affairs.

i) Principal activities

The principal activities of the entity are processing and marketing of milled white rice and the By-products mainly from Western Kenya schemes.

ii) Results

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

iii) Dividends

The Directors did not recommend the payment of dividend for the Financial year ended 30th June 2023 as the Company did not post any profits.

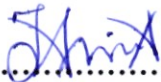
iv) Directors

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

v) Auditors

The Auditor-General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board



.....
Ms. Jullyane Okello Awino

Ag. Company Secretary

Date 14/03/2024

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

The Directors are responsible for the preparation and presentation of the Western Kenya Rice Mills Ltd.'s financial statements, which give a true and fair view of the state of affairs of the Western Kenya 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 Western Kenya Rice Mills Ltd.'s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act, 2015.

Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Western Kenya Rice Mills Ltd.'s financial statements give a true and fair view of the state of Western Kenya Rice Mills Ltd.'s transactions during the financial year ended June 30, 2023, and of the Western Kenya Rice Mills Ltd.'s financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Western Kenya Rice Mills Ltd., which have been relied upon in the preparation of the Western Kenya Rice Mills Ltd.'s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *Western Kenya 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

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Anniversary Towers
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P.O. Box 30084-00100
NAIROBI

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

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 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

Qualified Opinion

I have audited the accompanying financial statements of Western Kenya Rice Mills Limited set out on pages 1 to 46, which comprise of the statement of financial position as at 30 June, 2023, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Western Kenya Rice Mills Limited as at 30 June, 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 Qualified Opinion

1. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.2,891,579 as disclosed in Note 12 to the financial statements. Review of the debtors ageing analysis and debtors' ledger reflects that the whole amount of trade and other receivables is long overdue. The debts have been outstanding between twelve (12) months and eighty-four (84) months. However, the Company did not make any general provisions for bad debts except a specific bad debt provision of Kshs.17,621 which is insignificant considering that the receivables reflected in the statement of financial position are long outstanding.

In the circumstances, accuracy, completeness and recoverability of trade and other receivables of Kshs.2,891,579 could not be confirmed.

2. Unsupported National Irrigation Authority Current Account

The statement of financial position reflects NIA current account balance of Kshs.47,722,109 as disclosed in Note 17 to the financial statements. The amount relates to historical and current transactions between the Company and National Irrigation Authority. However, the amount was not supported with creditors statements and necessary correspondences between the two entities. Further, the amount has been long outstanding with a marginal increase of Kshs.26,836 from the previous year balance of Kshs 47,695,273.

In the circumstances, the accuracy and completeness of NIA current account balance of Kshs.47,722,109 could not be confirmed.

3. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.7,081,240 as disclosed in Note 18 to the financial statements. The balance includes others payables of Kshs.2,660,580 out of which Kshs.1,616,329 are salary arrears outstanding for sixteen (16) months. In addition, the balance includes audit fees of Kshs.2,706,512, outstanding withholding tax with Kenya Revenue Authority (KRA) of Kshs.379,828 which has been outstanding for several years. However, this balance reflected in the books of the Company differed with Kenya Revenue Authority's records which reflected outstanding taxes of Kshs.249,970. The resulting difference of

Kshs.129,858 has not been explained or reconciled. Management has not explained how they intend to clear these balances in view of losses made over the years.

In the circumstances, accuracy, completeness and full settlement of outstanding payables of Kshs.7,081,240 could not be confirmed.

4. Inconsistencies in Share Capital

The statement of financial position reflects share capital balance of Kshs.35,049,935 as disclosed in Note 14 to the financial statements. However, records maintained by the Registrar of Companies reflects a balance of Kshs.32,728,600 resulting to an unreconciled difference of Kshs.2,321,335. In addition, the balance includes National Irrigation Authority (NIA) shareholding of Kshs.25,200,000 or 71.9% of the total shares but the Company's Board meeting minutes of 23 June, 2020 indicates 76.5% of 310,800 shares valued at Kshs.31.1 million. Further, the CR 12 to confirm the Company's directors and shareholders as at 30 June, 2023, was not provided for audit.

In the circumstances, the completeness, valuation and ownership of the share capital balance of Kshs.35,049,935 could not be confirmed.

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

Emphasis of Matter

1. Failure to Prepare a Memorandum of Understanding

The Chairman's statement on page xviii to the financial statements reflects that the County Government of Kisumu agreed to purchase and install a new rice mill at the Company's premises. Physical inspection in the month of February, 2024 revealed that the installation of rice mill had been done though the machine remained idle with no rice milling going on. In addition, there was no Memorandum of Understanding between the Company and County Government of Kisumu on the usage of the mill.

In the absence of a Memorandum of Understanding, it was not possible to confirm the ownership, rights and obligations related to the donated milling machine.

2. Unearned Revenue on Basmati Paddy Held in the Stores of the Company

Physical inspection conducted in the month of February, 2024 revealed that Western Kenya Rice Mills Ltd held seven hundred and sixty-six (766) bags of basmati paddy in the stores, some harvested in 2018 and held for more than five (5) financial years. However, the unsold paddy could have earned the Company a total amount of Kshs.3,734,250 (766 bags @ Kshs.4,875) if sold as paddy at the prevailing current market price. Further, the paddy rice may lose value over time or be destroyed if stored for a very long time.

3. Material Uncertainty Related to Going Concern

The statement of financial performance reflects a loss of Kshs.3,895,600 in comparison with loss of Kshs.6,777,856 for the comparative period leading to a decline in the retained earnings from negative Kshs.75,164,127 in 2021/2022 to negative Kshs.80,231,415 in the year under review. This trend has continued since financial year 2016/2017 an indication that the Company may not be able to meet its obligations as and when they fall due.

In the circumstances, the Company's sustainability for processing and marketing milled white rice is heavily dependent on support by the Government and creditors.

4. Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final revenue budget and actual on comparable basis of Kshs.38,917,500 and Kshs.254,530 respectively, resulting under-collection of revenue of Kshs.38,662,970. Similarly, the Company spent Kshs.4,150,130 against the budgeted expenditure of Kshs.38,917,500 resulting to under-expenditure of Kshs.34,767,370 or 89% of the budget.

The under-collection and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, 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 any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Other Information

The Directors and Management are responsible for the other information, which comprises (The Chairman's Report, Directors' report, the statement of corporate governance, Management discussions and responsibilities, statement of Corporate Social Responsibility and the statement of Directors' responsibilities). The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or 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

1. Lack of Financial Policy on Debt Collection

The statement of financial position reflects trade and other receivables balance of Kshs.2,891,579 as disclosed in Note 12 to the financial statements. Included in the balance, are trade debtors who owe the Company Kshs.2,857,095. Review of debt collection policies revealed that there was no documentary evidence in the form of an approved accounts receivable financial policy and signed by the Board to show how overdue debt from customers can be dealt with or addressed. This was contrary to Regulation 165 (1b) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall ensure that the national government entity develops a system of risk management and internal control that builds robust business operations

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

2. Non-remission of Statutory Deductions Made Against Employment Income

The statement of financial position and as disclosed in Note 18 reflects an amount of Kshs.7,081,240 as trade payables. Review of these amounts revealed that a total of Kshs.135,648 remained outstanding in relation to NSSF and NHIF for periods spanning more than thirty (30) days contrary to Regulation 23(2a) of the Public Finance Management (National Government) Regulations, 2015 that provides that in addition to the responsibilities of Accounting Officers provided for in the Act, an Accounting Officer designated under the Constitution, the Act or any other Act, shall comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation. In addition, included in this amount is audit fees amounting to Kshs.2,706,512 which has been outstanding for long contrary to Section 41. (1) of the Public Audit Act, 2015 which states that the funds of the Office of the Auditor-General shall consist of— (c) audit fees charged at the rates prescribed by the Auditor-General.

In the 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Outstanding Salary Arrears

Included in the balance of trade payables of Kshs.7,081,240 as disclosed in Note 18 to the financial statements is an amount of Kshs.1,616,329 in respect to salary arrears which had not been paid to the staff as at 30 June, 2023. Audit inspection carried out revealed that the staff had not been paid for over one year, an indicator that, the staff are suffering from pecuniary embarrassment as a result not able to meet their financial obligations as and when they fall due.

In the circumstances, low morale of the staff could be affecting productivity and service delivery to the citizens.

2. Lack of an Audit Committee

Review of effectiveness of internal controls revealed that the Company does not have an audit committee. Although the Company uses the internal audit function of National Irrigation Authority, there is no audit committee to review the work of the internal auditor and assess the efficiency and effectiveness of its operational and risk management processes.

In the circumstances, the effectiveness of internal controls and risk management of the Company could not be confirmed.

3. Anomalies in Asset Management

Physical inspection conducted in the month of February, 2024 revealed that, two (2) vehicles KAE 685E and KBP 447A which were in serviceable condition were grounded. It was not clear why the vehicles had private number plates instead of blue number plates which are stipulated for state owned corporations. Additionally, it was observed that the company's office block, Security house and ablution block had developed huge cracks thus posing danger to the users of those facilities.

In the circumstances, the efficiency and optimal utilization of these assets 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 control, 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 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, 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 the 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 control, risk management and overall 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 of accounting unless the Management is aware of the 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 control 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 the Company's 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 control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 control that are identified during the audit.

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


 FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 May, 2024

Western Kenya 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 30th June 2023.**

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenues			
Revenue from Contracts with Customers	6	254,530	4,239,348
Cost of sales	7	(1,405,576)	(7,240,558)
Gross profit		(1,151,046)	(3,001,210)
Other income			
Total revenues		(1,151,046)	(3,001,210)
Operating expenses			
Administration costs	8	2,744,554	3,776,646
Total operating expenses		2,744,554	3,776,646
Profit/(loss) before taxation		(3,895,600)	(6,777,856)

Western Kenya 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
Assets			
Non-Current Assets			
Property, Plant And Equipment	10	11,186,221	11,971,562
Total Non-Current Assets		11,186,221	11,971,562
Current Assets			
Inventories	11	5,638,774	6,395,515
Trade And Other Receivables	12(a)	2,891,579	4,188,207
Bank And Cash Balances	13	3,918	229,031
Total Non-Current Assets		8,534,271	10,812,753
		19,720,492	22,784,315
Equity And Liabilities			
Capital And Reserves			
Ordinary Share Capital	14	35,049,935	35,049,935
Revaluation Reserve	15	10,098,623	10,098,623
Retained Earnings	16	(80,231,415)	(75,164,128)
Capital And Reserves		(35,082,857)	(30,015,570)
Non-Current Liabilities			
NIA Current Account	17	47,722,109	47,695,273
Total Non-Current Liabilities		47,722,109	47,695,273
Current Liabilities			
Trade And Other Payables	18	7,081,240	5,104,612
Total Current Liabilities		7,081,240	5,104,612
		54,803,349	52,799,885
Total Equity And Liabilities		19,720,492	22,784,315

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
Chief Officer Finance
ICPAK M/NO. 29724


.....

Eng. Gilbert N. Maluki
Board Chairman

Western Kenya Rice Mills Limited
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16. Statement of Changes in Equity for the year ended 30 June 2023

Description	Ordinary share capital	Revaluation reserve	Retained earnings	Total
As at July 1, 2022 (Previous FY)	35,049,935	10,098,623	(68,386,270)	(23,237,712)
Reinstatement	-	-	(1,171,688)	(1,171,688)
Profit/(Loss) for the year	-	-	(6,777,856)	(6,777,856)
As of June 30, 2022 (Previous FY)	35,049,935	10,098,623	(76,335,814)	(31,187,256)
As at July 1, 2023 (Current FY)	35,049,935	10,098,623	(76,335,814)	(31,187,256)
Profit/(Loss) for the year	-	-	(3,895,600)	(3,895,600)
At June 30, 2023 (Current FY)	35,049,935	10,098,623	(80,231,414)	(35,082,856)

* The reinstatement refers to incorrectly captured sales invoices as cash sales, which overstated revenue.

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

Description	Note	2023	2022
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations	20	(225,113)	135,358
Net cash generated from/(used in) operating activities		(225,113)	135,358
Cash flows from investing activities			
Net cash generated from/(used in) investing activities		-	-
Cash flows from financing activities			
Net cash generated from/(used in) financing activities		-	-
Increase/(decrease) in cash and cash equivalents		(225,113)	135,358
Cash and cash equivalents at beginning of year		229,031	93,674
Cash and cash equivalents at end of the year	20	3,918	229,031

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c = a + b	d	E= c - d	d/c%
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Sale of goods	33,517,500	-	33,517,500	202,330	33,315,170	1%
Sale of services	5,400,000	-	5,400,000	52,200	5,347,800	1%
Total income	38,917,500	-	38,917,500	254,530	38,662,970	
Expenses						
Compensation of employees	4,368,850	-	4,368,850	1,504,697	2,864,153	34%
Use of goods and services	27,850,575	-	27,850,575	1,405,576	26,444,999	5%
Other payments	1,410,165	-	1,410,165	1,239,857	170,308	88%
Total expenditure	33,629,590	-	33,629,590	4,150,130	29,479,460	
Surplus for the period	5,287,910	-	5,287,910	(3,895,600)	9,183,510	

The differences between actual and budgeted amounts was due to constraints on the cash flows during the financial year under review.



19. Notes to the Financial Statements

1. General Information

Western Kenya Rice Mills Ltd is established by and derives its authority and accountability from the Companies Act Cap. 486. The Company is partially owned by the Government (National Irrigation Authority) and the farmers under their Co-operative Societies. Which are;

- i Ahero Multi-Purpose Co-op. Society Ltd.
- ii West Kano Farmers Co-op. Society Ltd.
- iii Magombe Multi-Purpose Co-op. Society Ltd.

Cost of sales is calculated from the opening stocks plus purchase minus the closing stock.

We provide for bad and doubtful debts that are over 5 years.

The Company's principal activity is processing and marketing of milled white rice and the By-products mainly from Western Kenya Schemes.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the 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 Western Kenya 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 is not an insurance company. The Company did not adopt the IFRS 17.</i></p>	Effective for annual periods beginning on or after 1 st 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 in the financial 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	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.</p>	The amendments are effective for annual periods beginning on or after January 1, 2023.

Title	Description	Effective Date
in February 2021)	<i>(entity to state whether this has brought about changes to the accounting policies disclosed)</i>	
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 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.*

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

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

Notes to the Financial Statements (Continued)

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

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	8 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 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. At provision is made for the estimated liability for annual leave at the reporting date.

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized 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	202,330	2,347,060
Sale Of Services	52,200	1,892,288
Total	254,530	4,239,348

7. Cost of Sales

Description	2022/2023	2021/2022
	Kshs	Kshs
Cost of sales on goods	1,405,576	7,240,558
Total	1,405,576	7,240,558

8. Administration Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Staff costs (note (8a))	1,504,697	1,690,358
Directors' emoluments	48,100	264,000
Communication services and supplies	-	30,000
Transportation, travelling and subsistence	32,500	163,800
Advertising, printing, stationery and photocopying	304	48,145
Bank charges and commissions	17,977	31,079
Office and general supplies and services	-	113,465
Auditors' remuneration	348,000	348,000
Repairs and maintenance	-	46,860
Depreciation	785,340	783,159
Other Operating Expenses	7,636	257,780
Total	2,744,554	3,776,646

Notes to the Financial Statements (Continued)

8(a) Staff Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries and allowances of permanent employees	1,254,983	1,423,799
Employer's contributions to national social security schemes	47,621	41,000
Employer's contributions to pension scheme	174,268	203,932
Leave pay	27,825	21,627
Total	1,504,697	1,690,358
The average number of employees at the end of the year was:		
Permanent employees – management	4	4
Temporary and contracted employees	5	5
Total	9	9

Notes to the Financial Statements (Continued)

9. Operating Profit/ (Loss)

Description	2022/2023	2021/2022
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff Costs (Note 8a)	1,504,697	1,690,358
Depreciation of property, plant and equipment	785,341	783,159
Provision for bad and doubtful debts	17,621	17,621
Directors' emoluments – fees	48,100	264,000
Auditors' remuneration - current year fees	348,000	348,000

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Notes to the Financial Statements (Continued)

10. Property, Plant and Equipment

Description	Furniture & equipment	Buildings	Plant & machinery	Motor vehicles	Tools & equipment	Workshop & machinery	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost or valuation							
As At July 1, 2021	447,988	6,836,487	29,994,849	3,229,080	1,230,018	678,735	42,417,157
Revaluation	-	8,788,623	-	1,310,000	-	-	10,098,623
As At June 30, 2022	447,988	15,625,110	29,994,849	4,539,080	1,230,018	678,735	52,515,780
Depreciation							
At July 1, 2021	447,987	4,180,389	29,994,849	3,229,079	1,230,018	678,735	39,761,057
Charge for the year	-	456,569	-	326,590	-	-	783,159
As At June 30, 2022	447,987	4,636,958	29,994,849	3,555,669	1,230,018	678,735	40,544,216
Net book value at June 30, 2022	1	10,988,152	-	983,411	-	-	11,971,562

Western Kenya Rice Mills Limited
Annual Report and Financial Statements for the year ended 30th June 2023

Notes To The Financial Statements (Continued)

Property, Plant and Equipment (Continued)

Description	Furniture & equipment	Buildings	Plant & machinery	Motor vehicles	Tools & equipment	Workshop & machinery	Total
Cost or valuation							
As At 1 st July 2022	447,988	15,625,110	29,994,849	4,539,080	1,230,018	678,735	52,515,780
As At 30th June 2023	447,988	15,625,110	29,994,849	4,539,080	1,230,018	678,735	52,515,780
Depreciation							
At July 1, 2022	447,987	4,636,958	29,994,849	3,555,669	1,230,018	678,735	40,544,216
Charge for the year	-	457,841	-	327,500	-	-	785,341
As At 30th June 2023	447,987	5,094,799	29,994,849	3,883,169	1,230,018	678,735	41,329,557
Net book value At June 30, 2023	1	10,530,311	-	655,911	-	-	11,186,221

Notes To The Financial Statements (Continued)

Valuation

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

Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Buildings	15,625,110	5,094,798	10,530,312
Motor Vehicles, Including Motorcycles	4,539,080	3,883,169	655,911
	20,164,190	8,977,967	11,186,221

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

Description	Cost Valuation	Normal Annual Depreciation charge
	Kshs	Kshs
Plant And Machinery	31,903,602.00	-
Office Equipment, Furniture And Fittings	447,988.00	-
Total	32,351,590.00	-

Notes to the Financial Statements (Continued)

11. Inventories

Description	2022/2023	2021/2022
	Kshs	Kshs
Raw materials	4,553,569	5,132,817
Finished goods	-	193,000
Total	4,553,569	5,325,817

11 b) Consumables

Description	2022/2023	2021/2022
	Kshs	Kshs
Workshop stores	1,014,393	998,887
Stationery and general stores	70,811	70,811
Total	1,085,205	1,069,699

12. Trade and Other Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade Receivables (Note 12 (a))	2,857,095	4,175,923
Staff receivables (Note 12 (b))	52,105	29,905
Gross Trade and Other Receivables	2,909,200	4,205,828
Provision for Bad And Doubtful Receivable	(17,621)	(17,621)
Net Trade and Other Receivables	2,891,579	4,188,207

12 (a) Trade Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Gross Trade Receivables	2,909,200	4,205,828
Provision for Doubtful Receivables	(17,621)	(17,621)
Net Trade Receivables	2,891,579	4,188,207
ageing analysis of gross Trade Receivables		
Less than 30 Days	-	249,822
Over 120 Days	2,909,200	3,956,006
Total	2,909,200	4,205,828

Notes to the Financial Statements (Continued)

12 (b) Staff Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Gross staff loans and advances	52,105	29,905
Net staff loans	52,105	29,905
Less: Amounts due within one year	(52,105)	(29,905)

13. Bank and Cash Balances

Description	2022/2023	2021/2022
	Kshs	Kshs
Cash at bank	3,918	228,727
Cash in hand	-	304
Total	3,918	229,031

Detailed analysis of the cash and cash equivalents

Description		2022/2023	2021/2022
Financial institution	Account number	Kshs	Kshs
a) Current Account			
Kenya Commercial Bank	1108288707	3,918	228,727
Sub- Total		3,918	228,727
b) Others (Specify)			
Cash in hand		-	304
Sub- Total		-	304
Grand Total		3,918	229,031

14. Ordinary Share Capital

Description	2022/2023	2021/2022
	Kshs	Kshs
Authorized:		
420,000 Ordinary Shares of Kshs. 100 par value each	42,000,000	42,000,000
Issued and Fully paid:		
350,499 ordinary shares of KSh.100/= par value each	35,049,935	35,049,935

Notes To The Financial Statements (Continued)

15. 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.

16. Retained Earnings

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

17. NIA Current Account

Description	2022/2023	2021 /2022
	KSHS	KSHS
NIA current Account	47,722,109	47,695,273
Total	47,722,109	47,695,273

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

18. Trade and Other Payables

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	7,081,240	5,104,612
Other payables	47,722,109	47,695,273
Total	54,803,349	52,799,885

Aging Analysis for Trade and other Payables]

	2022/2023	% of the total	2021/2022	% of the total
Under one year	2,003,464	4%	-	-
Over 3 years	52,799,885	96%	52,799,885	100%
Total	54,803,349		52,799,885	

Notes to the Financial Statements (Continued)

19. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2022/2023	2021/2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	253,002	296,297
Total employee benefits obligation	-	-	-	253,002	296,297

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2022. The scheme is administered by Minet Kenya Financial Services Limited while Standard Chartered Bank Limited are the custodians of the scheme. The scheme is based on 30 percentage of salary of an employee at the time of retirement.

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

Notes to the Financial Statements (Continued)

20. Notes to the Statement of Cash Flows

Description	2022/2023	2021/2022
	Kshs	Kshs
(a) Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations		
Profit or Loss before tax	(3,895,600)	(6,777,856)
Retained earnings adjustments	(1,171,687)	-
Depreciation	785,341	783,159
Operating Profit/(Loss) before Working Capital changes	(4,281,946)	(5,994,697)
(Increase)/Decrease in Inventories	756,741	4,310,958
(Increase)/Decrease in Trade and Other Receivables	1,296,628	554,853
Increase/(Decrease) in Trade and Other Payables	2,003,464	1,264,244
Cash Generated from/(used In) operations	(225,113)	135,358
(b) Analysis of Cash and Cash equivalents		
Cash At Bank	3,918	228,627
Cash In Hand	-	304
Balance At End Of The Year	3,918	229,031

21. 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.

Notes To The Financial Statements (Continued)

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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables from exchange transactions	4,205,828	4,188,207	17,621	-
Bank balances	229,031	-	-	-
Total	4,434,859	4,188,207	17,621	-
At 30 June 2023				
Receivables from exchange transactions	2,909,200	2,891,579	17,621	-
Bank balances	3,918	-	-	-
Total	2,913,118	2,891,579	17,621	-

Credit Risk (Continued)

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.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade payables	-	-	5,104,612	5,104,612
Provisions	-	-	348,000	348,000
Employee benefit obligation	-	-	707,764	707,764
Total	-	-	6,160,376	6,160,376
At 30 June 2023				
Trade payables	-	-	7,081,240	7,081,240
Provisions	348,000	-	-	348,000

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
Employee benefit obligation	-	-	1,616,329	1,616,329
Total	348,000	-	8,697,569	9,045,569

Notes To The Financial Statements (Continued)

(iii) Market risk

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

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The company did not face any foreign currency risk during the year under review.

Notes To The Financial Statements (Continued)

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

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

ii) Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

No analysis was performed during the year under review.

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Notes To The Financial Statements (Continued)

- 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.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

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

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the entity’s capital risk management is to safeguard the Board’s ability to continue as a going concern. The entity capital structure comprises of the following funds:

Description	2022/2023	2021/2022
	Kshs	Kshs
Revaluation reserve	10,098,623	10,098,623
Retained earnings	(80,231,415)	(75,164,128)
Capital reserve	-	-
Ordinary Share Capital	35,049,935	35,049,935
Total Funds	(35,082,857)	(30,015,570)
Total Liabilities	54,803,349	52,799,885
Less: Cash and Bank balances	(3,918)	(229,031)
Net Debt/(Excess Cash and Cash Equivalents)	54,799,431	52,570,854
Gearing	-64%	-57%

Notes To The Financial Statements (Continued)

22. Incorporation

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

23. Events after the Reporting Period

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

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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.

Reference No	Issue / Observations from Auditor	Management Comments	Status <i>(Resolved / Not Resolved)</i>	Timeframe <i>(Put a date when you expect the issue to be resolved)</i>
1. Long Outstanding Trade and Other Payables	The statements of financial position reflected trade and other payables balance of Kshs.3,986,749 and as disclosed in Note 17 to the financial statements. However, this balance include an amount of Kshs.1,748,032 which has been outstanding for more that one year. The management has not explained how they intend to clear the outstanding payables considering that the Company has been making losses continuously. In the circumstances, delay in making payments to creditors expose the Company to avoidable interests and penalties.	The balance of Ksh.1,748,032 refers to staff liabilities for the financial year under review. To date, the Company has been able to settle the arrears for July & August 2021. The management has also put measures on how to settle the remaining balance within the current financial year 2021/2022.	Not Resolved	30/06/2023
2. Long outstanding Trade and Other Receivables	The statements of financial position and the corresponding Note 12 to the financial statements reflects trade and other receivables of Kshs.4,743,060. This balance includes receivables of Kshs.3,880,887 which have been outstanding for a period between one year to seven (1-7) years. Amongst the debtors with huge balances are three (3) Government institutions namely: (Kabianga University Kshs.1,300,000; County Government of Kisumu	"The Management is following up with Kabianga University; County Government of Kisumu and Kenyatta University for the recovery of Kshs.1,300,000, Kshs.816,638 and Kshs.416,440 respectively.	Not resolved	30/06/2023

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Reference No	Issue / Observations from Auditor	Management Comments	Status	Timeframe
			<i>(Resolved / Not Resolved)</i>	<i>(Put a date when you expect the issue to be resolved)</i>
	Kshs.816,638 and Kenyatta University Kshs.416,440) all totaling to kshs.2,533,077 or 65% of the total debtors. No records in support of the existing debts was provided for audit.	The other debtors are also being pursued by the management."		
3. Inconsistencies in Provision for Bad Debts	The statement of the financial position reflects trade and other receivables of Kshs.4,743,060 which is net of provision for bad debts of Kshs.17,621 (2020 Kshs.17,621) and as disclosed in Note 12 to the financial statements .However, management indicated in Note 1(v) to the financial statements that the Company provides for bad and doubtful debts that are over five years. It was not clear whether Management took into consideration Note 1(v) when making provisions for bad debts of Kshs. 17,621 which is similar to the provision made in the financial year 2019/20 despite the change in total receivables before provision from Kshs. 4,051,381 to Ksh. 4,760,681. In the circumstance, the accuracy, completeness and recoverability of trade and other receivable balance of Ksh. 4,760,681 as at 30 June, 2021 could not be confirmed.	The management has not revised provision for bad debts as it is in consultation with the debtors who have promised to settle their debts within the current financial year 2022/2023.	Not resolved	30/06/2023
4. Inaccuracies in Share capital Ownership and Holding	"The statement of financial position reflects share capital balance of Kshs.35,049,935, which differs with the balance of Kshs.32,728,600 reflected in the records maintained by the Registrar of Companies, resulting to a	The figure of Kshs. 35,049,935 differs from that available at the Registrar of Companies because of the	Not resolved	30/06/2023

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Reference No	Issue / Observations from Auditor	Management Comments	Status <i>(Resolved / Not Resolved)</i>	Timeframe <i>(Put a date when you expect the issue to be resolved)</i>
	<p>difference of Kshs.2,321,335 between the two sets of records. Management attributes the difference to shares acquired by farmers which are not reflected in the Registrar's records. However, no documentary evidence was availed by Management, for audit verification. Further, the National Irrigation Authority (NIA) owns shares valued at Kshs.25,200,000 representing 71.9% of the total shares of the Company, as disclosed in Note 14 of the financial statements. However, according to minutes of the Company's Board meeting held on 23 June, 2020, the NIA's shareholding is 76.5% of the Company's 310,800 shares valued at Kshs.31.1 million. Further, the CR 12, the official confirmation by the Registrar of Companies of the directors and shareholders of the Company, as at 30 June, 2021, was not availed for audit verification. In the absence of the CR 12, it was not possible to confirm the shareholding of the Company and the completeness, value and shareholding of the share capital balance of Kshs.35,049,935 as at 30 June, 2021</p> <p>"</p>	<p>payments which were made by the farmers but the changes have not been effected at the registrar's office. The management is pursuing with the office of the Registra to ensure that the changes are effected with the Registra of Companies.</p>		
5. Material Uncertainty in	<p>The statement of profit or loss and other comprehensive income reflects a loss of Kshs.5,861,208 (2020: Kshs.7,535,228), for the year ended 30 June, 2021.</p>	<p>In the 39th Western Kenya Rice Mills directors' meeting held on 30th June 2021, the</p>	<p>Not resolved</p>	<p>30/06/2023</p>

Western Kenya Rice Mills Limited
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Reference No	Issue / Observations from Auditor	Management Comments	Status <i>(Resolved / Not Resolved)</i>	Timeframe <i>(Put a date when you expect the issue to be resolved)</i>
Relation to Going Concern	Further, the statement of financial position reflects negative retained earnings of Kshs.68,386,270 (2020: negative balance of Kshs.62,525,062), as at 30 June, 2021. These conditions, which have been reported consistently from 2016/2017 financial year, indicates that a material uncertainty exists, which may cast significant doubt on the Company's ability to continue as a going concern. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company's board of directors to reverse the negative going concern indicators, have not been disclosed in the notes to the financial statements. In the circumstance, it was not possible to confirm if the Company is able to meet its financial obligations as and when they fall due.	business plan on how to revive the mills was presented to the Board of directors for discussion and the way forward. Once approved by the board, the management will then adopt it for implementation.		
6. High Cost of Production	The statement of profit or loss and other comprehensive income reflects revenue of Kshs.18,404,119 and a cost of sales of Kshs.18,439,079 resulting to gross loss of Kshs.(34,960). The high cost of production is attributed to high cost of paddy as a result of a Presidential directive that capped the price of paddy and milled rice in the year 2019/2020 and high cost of running an inefficient old mill.. However, Management did not state the strategies they have taken to reduce the high cost of production to save the Company from liquidation. In the circumstances,	The high cost of production has basically been due to the high cost of paddy due to the Presidential directive and the high cost of running the old mill which is no longer efficient. In order to reduce the cost of production, the management has cut down on	Not Resolved	30/06/2023

Western Kenya Rice Mills Limited
Annual Report and Financial Statements for the year ended 30th June 2023

Reference No	Issue / Observations from Auditor	Management Comments	Status <i>(Resolved / Not Resolved)</i>	Timeframe <i>(Put a date when you expect the issue to be resolved)</i>
	the high cost of production will persist unless drastic action is taken to reverse the trend.	labor and other administrative costs.		
7. Lack of Annual General Meeting	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.in the circumstance, the Management was in breach of the Act.	The Company was unable to hold an Annual General Meeting as the management had not received the audited accounts running for financial years. That is, 2018/2019 and 2019/2020.	Not Resolved	30/06/2023
8. Lack of an Audit Committee	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 Company does not have an audit committee due to the lean composition of the Board. This comprises of:	Not Resolved	30/06/2023

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Reference No	Issue / Observations from Auditor	Management Comments	Status <i>(Resolved / Not Resolved)</i>	Timeframe <i>(Put a date when you expect the issue to be resolved)</i>
	<p>the work of the internal auditor and assess the efficiency and effectiveness of its operational and risk management processes. Consequently, it was not possible to confirm the effectiveness of internal controls and risk management of the Company.</p>	<p>1) The Chairman. 2) Three National Government representatives. Namely; i. Alternate Representative CS National Treasury. ii. Alternate Representative to the PS Ministry of Water, Sanitation & Irrigation. iii. Representative of the office of the Inspectorate to State Corporations as an ex-officio member. 3) The Managing Director. 4) The Chairmen of Ahero Multi-Purpose Co-op Society, West Kano Farmers Co-op Society and Magombe Multi-Purpose Co-op Society. Due to this lean composition, audit matters are handled by the full board. "</p>		

Western Kenya Rice Mills Limited
Annual Report and Financial Statements for the year ended 30th June 2023

Reference No	Issue / Observations from Auditor	Management Comments	Status	Timeframe
			<i>(Resolved / Not Resolved)</i>	<i>(Put a date when you expect the issue to be resolved)</i>



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

Managing Director

Date *14/03/2024*