

REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 06 MAR 2025

DAY: Thursday

OF

TABLED
BY:

Hon. Naomi Waga MP
Deputy Majority Party Whip

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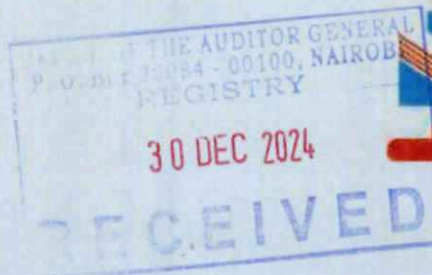
A. Shibusko

THE AUDITOR-GENERAL

ON

**NUMERICAL MACHINING COMPLEX
LIMITED**

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



NUMERICAL MACHINING COMPLEX LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

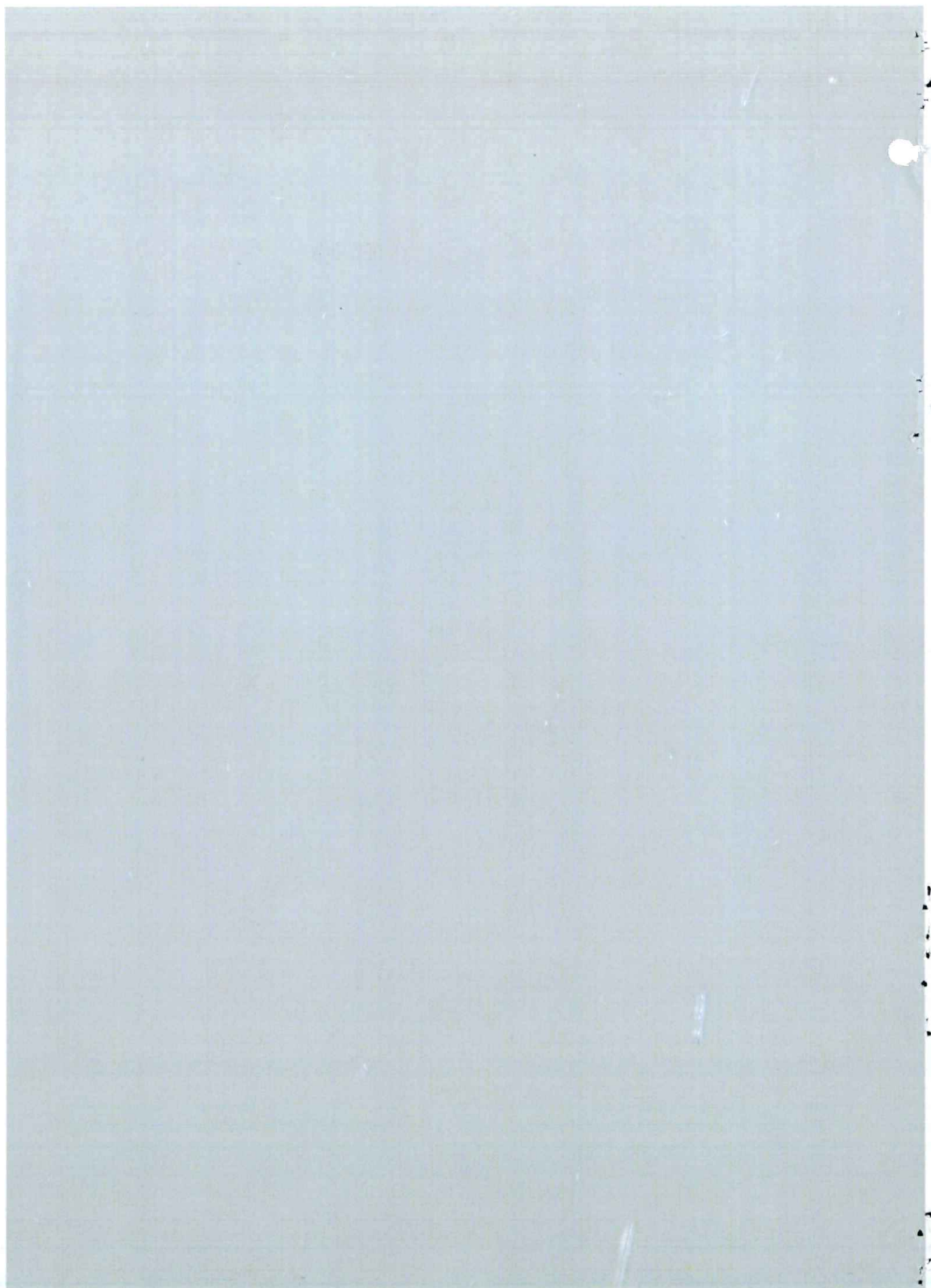


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Appendix 1: Implementation Status of Auditor-General prior year recommendations

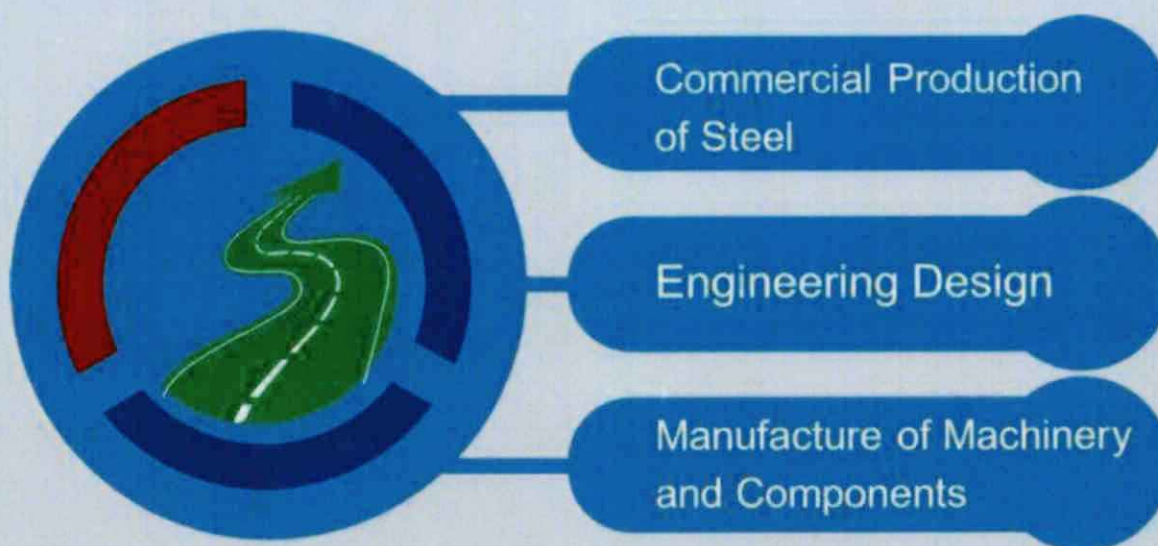
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1. Acronyms and Glossary of Terms

- **NMC** Numerical Machining Complex Limited
- **IFRS** International Financial Reporting Standards
- **MD** Managing Director
- **NT** National Treasury
- **PFM** Public Finance Management.
- **PSASB** Public Sector Accounting Standards Board

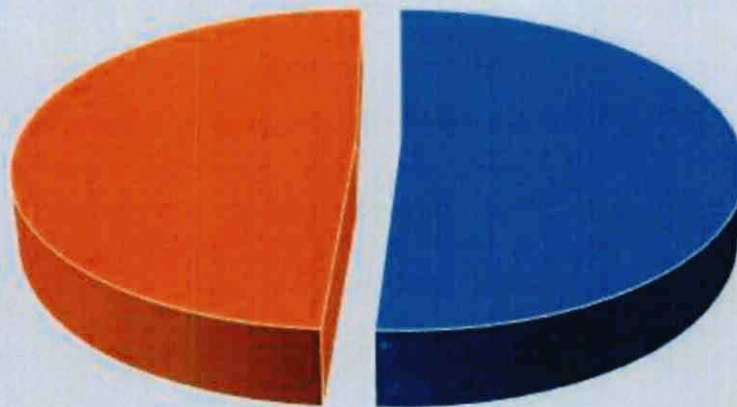


2. Key Entity Information

a) Background information

Numerical Machining Complex (NMC) was established in 1994 when it was incorporated as a limited liability company under the Companies Act CAP 486. NMC is a semi-autonomous government agency domiciled in the Ministry of Trade, Investments and Industry, which is responsible for funding, policy direction and general oversight. The company is owned by Kenya Railways Corporation with 51% and Kenya Shipyard Limited 49% shares in trust of the Government of Kenya. At the Cabinet level, NMC is represented by the Cabinet Secretary for the Ministry of Trade, Investments and Industry.

SHAREHOLDING



■ KENYA SHIPYARD 51% ■ KENYA RAILWAYS 49%

Key Entity Information (Continued)

b) Principal Activities

The principal activities of Numerical Machining Complex Limited include:

- i. **CNC Machining:** Utilizing advanced Computer Numerically Controlled (CNC) machines for precision milling, turning, and gear shaping.
- ii. **General Fabrication:** Engaging in metal fabrication processes to create various structures and components.
- iii. **Machinery and Machine Tools Production:** Manufacturing a diverse array of machinery, machine tools, and industrial parts.
- iv. **Foundry Works:** Operating a foundry for both ferrous and non-ferrous metals, complemented by a metallurgical laboratory for material testing.
- v. **Engineering Services:** Offering specialized mechanical engineering services, including design and production of high-quality spares and automotive parts.
- vi. **Training and Software Reselling:** Acting as a reseller and trainer for Autodesk engineering design software, enhancing the skills of professionals in the manufacturing sector.



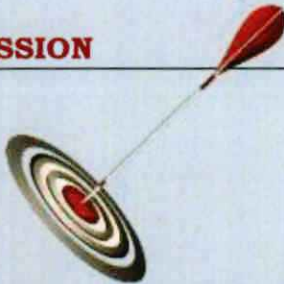
Key Entity Information (Continued)

VISION



To be the centre of excellence in engineering and manufacturing.

MISSION



To provide quality engineering products and services that are market driven through research, design, development and production using modern technology.

CORE OBJECTIVES

1. Development and production of locally produced engineering parts and machinery.
2. Strengthen NMC's institutional capacity
3. Achieve comprehensive sustainability
4. Achieve excellence in quality, service and customer experience.
5. Develop linkages with MSMIs and strategic partners.



Key Entity Information (Continued)

c) DIRECTORS

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

	NAME	POSITION	APPOINTED DATE
1.	Mr. Abdi Bare Duale	Chairman	Appointed on 5 th February 2024.
2.	Capt. (Rtd.) Muhumed Abdi Mohamed	Chairman	Appointed on 10 th February 2023. (Exited on 5 th February 2024)
3.	Mr. George Makateto	Ag. Managing Director	Appointed on 28 th February 2023.
4.	Mr. Douglas Manyara	Alternate to Principal Secretary, National Treasury	Appointed on 6 th July 2020
5.	Ms. Esther Maina	Alternate to PS Ministry of Transport and Infrastructure	Appointed on 23 rd March 2023
6.	Mr. James Nyambune	Alternate to Principal Secretary in the Ministry of Education.	Appointed on 7 th August 2015
7.	Ms. Lilian Moraa	Alternate to Principal Secretary, Ministry of Investment, Trade & Industry	Appointed on 28 th February 2023.
8.	Mr. Joseph Mutuma	Appointed as an alternate to the PS Ministry of Defence	Appointed on 18 th May 2023.
9.	Ms. Yattane T. Duba	Independent Member	Appointed on 28 th October 2021.
10.	Mr. Geoffrey Mahinda	Independent Member	Appointed on 28 th October 2021.

11.	Eng. Gilbert Arasa, OGW, RCE, FIEK	Appointed as an alternate to the PS Ministry of Roads and Transport – State Department of Roads	Appointed on 15 th January 2024.
12.	Mr. Remy Koech	Appointed as an alternate to the Managing Director Kenya Railways Corporation	Appointed on 22nd April 2022

d.) CORPORATE SECRETARY

CS. Susan Mungai
P.O. Box 70660-00400
Nairobi

e.) REGISTERED OFFICE

Railway Central Workshops
Workshops Road
P.O. Box 70660-00400
Nairobi, KENYA

f.) CORPORATE HEADQUARTERS

Railway Central Workshops
Workshops Road
P.O. Box 70660-00400
Nairobi, KENYA

g.) CORPORATE CONTACTS

Telephone: (254) 020-2327230/58
(254) 020-2110970
+254 710 568 000/3
+245 716 431 114

E-mail: enquiries@nmc.go.ke

Website: www.nmc.go.ke



Key Entity Information (Continued)

h.) CORPORATE BANKERS

KCB Group
Moi Avenue Branch
P.O Box 30081
Nairobi, Kenya

I) INDEPENDENT AUDITORS

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



J) PRINCIPAL LEGAL ADVISERS



The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya



1. The Board of Directors

SN	DIRECTORS	DETAILS
1.	 <p>Mr. Abdi Bare Duale MBA International Trade, Bachelors in Business Management</p>	<p>Mr. Abdi is 62 years and the current Managing Director of Medica Chemicals Ltd. He is a transformative leader and experienced business executive with demonstrated experience in starting up and running successful enterprises. He has extensive technical knowledge in manufacturing, supply chain management, and managing large-scale budgets and operations. He has served as chairman of KETRACO and Kenya Leather Development Council and board members of KEBS.</p>
2.	 <p>Mr. Remmy Koech MBA, BCom Accounting</p>	<p>Mr. Koech is 56 years old and is an alternate Director to Kenya Railways Managing Director. He has 30 years' work experience, 22 of which have been in the internal audit function. He has served in several management positions for the last 15 years, 11 of which have been with Kenya Railways</p>
3.		<p>He is 42 years old and alternate Director to the PS/ National Treasury and Planning.</p>

	 <p>Mr. Douglas Manyara Master of Arts in Economics (MA Economics) and Master of Business Administration (MBA)</p>	<p>He has over 10 years' experience in Research, Policy formulation and Analysis, Budgeting, Project Planning and Appraisal, Resource Mobilization and Monitoring and Evaluation</p>
4.	 <p>Eng. Gilbert Arasa, OGW, RCE, FIEK Bachelors Degree in Civil Engineering. Registered professional and Consulting Engineer. Fellow and Member of IEK and EEF</p>	<p>Eng. Arasa is 58 years and he joined the Board in June 2023 as alternate Director to Principal Secretary/Ministry of Roads and Transport. He is a member of the Finance and Technical Committee.</p> <p>He has previously served as the Registrar/Chief Executive Officer of the Engineers Board of Kenya (EBK) from 2006 – 2014, Ag. Director General for KURA.</p> <p>He has also served as a Board Member for the Kenya National Highways Authority (KeNHA), Kenya Rural Roads Authority (KeRRA), the Engineers Board of Kenya (EBK), Board of Management in the Kenya Institute of Highways and Building Technology</p>

		(KIHBT)
5.	 <p>Mr. James Nyambune Bachelor of Technology in Education, Masters of Philosophy in Technology Education</p>	<p>Mr. Nyambune is 59 years and was appointed to the Board on 7th August 2015 as alternate Director to Principal Secretary/Ministry of Education.</p> <p>He is the Chair of Finance and Technical Committee and a member of Human Resource Committee.</p> <p>He was appointed to the Board on 7th August 2015 as alternate to the PS in the Ministry of Education.</p>
6.	 <p>Ms. Lilian Moraa Holds an LLB in Law from Makerere and a Diploma in Law from the School of law. Currently pursuing a Master's Degree at the</p>	<p>MS. Moraa is 47 years and was appointed to the Board on 28th February 2023 as an alternate Director Principal Secretary/Ministry of Investments, Trade and Industry.</p> <p>Currently heading the legal unit at the State Department of Industry. Has wealth of legal knowledge and has worked with various government sectors.</p>

	University of Nairobi.	
7.	 <p>Ms. Yattane T. Duda Holds a Masters Degree in Management and a bachelors of Arts, Economics & Sociology.</p>	<p>Ms. Yattane is 50 years and was appointed as an independent Director On 28th October 2021. She is a member of the Finance and Technical Committee and Chairman of the Human Resource Committee.</p> <p>She is a strategist with over 15 years' experience and has been instrumental in developing policies and plans designed to achieve organizations objectives.</p>
8.	 <p>Mr. Geoffrey Mahinda Bachelor of Commerce degree.</p>	<p>Mr. Mahinda is 67 years and was appointed as an independent Director On 28th October 2021.</p> <p>He is the Chairman of the Audit Committee.</p> <p>He is a businessman with extensive experience in private sector, public sector and broad experience for effective and efficient delivery of services.</p>
9.		<p>Mr. Mutuma is 47 years and he joined the Board on 18th May, 2023 as alternate Director to the Principal Secretary/Ministry of Defence. He has over 28 years of experience with in-</p>

	 <p>Mr. Joseph Mutuma MBA Finance, B.Com Accounting option, CPA-K, Member of ICPAK</p>	<p>depth knowledge of procedures and practices relating to budget formulation, preparation, execution, monitoring and reporting.</p>
10.	 <p>Mr. George Makateto Ag. Managing Director</p> <p>He holds MPhil in Technology Education (Automotive Engineering) and Bachelor of Technology Education (Automotive Option). He also holds a Kaizen certification, ISO Certification EIA Renewable energy & RIO- SIYB.</p>	<p>Mr. Makateto is 54 years and was appointed the Ag. Managing Director in February 2023.</p> <p>He has worked as the Director of Industry/Engineering at the Ministry of Investments, Trade and Industry and Snr. Technical Advisor to the Cabinet Secretary.</p>



11.

CS. Susan Mungai,




Ag. Company Secretary

MBA in Strategic Management (USIU), Bsc. IBA in Marketing & Entrepreneurship (USIU), CPS (K) and a Diploma in Human Resource Management (Kenya Poly).




Susan is the Ag. Company Secretary and a Member of ICS M/No. 2031. She has over 11 years' experience handling Board matters and strategy.







2. Key Management Team

SN	MANAGEMENT	DETAILS
1.	 George Makateto MPhil in Technology Education (Automotive Eng.), Bachelor of Technology Education (Automotive Option)	Ag. Managing Director
2.	 Eng. Zachariah Magondu Msc Mech. & Aerospace Engineering, Bsc. Manufacturing Engineering	Research and Development
3.	 CPA Patrick Kariuki MBA (Finance & Accounting), BBM (Accounting), CPAK and CPS (Finalist).	Finance and Accounts

4.	 <p>Eng. Pius Githu, PE Bachelors of Technology in Production Engineering, Dip.IT, Cert. in Precision Machining Technology.</p>	Maintenance
5.	 <p>CS. Susan Mungai MBA in Strategic Management, BSc. IBA in Marketing & Entrepreneurship, CPS (K), Dip. HRM</p>	Human Resources & Administration
6.	 <p>Collins Young BEng. In Naval Architecture & Marine, Design and Manufacturing.</p>	Foundry Castings

7.	 <p>Zipporah Samoei, MCIM Professional Dip. in Marketing (Chartered Institute of Marketing). B.Com- Marketing Option (on-going)</p>	Sales and Marketing
8.	 <p>Solomon Ngahu Bachelors of Technology in Production Engineering</p>	Quality Assurance and QMS
9.	 <p>Wesley Langat Bachelors of Technology in Mechanical Engineering Dip. Mech. Prod. Option</p>	Machining & Fabrication
10.		Supply Chain Management

	 <p>Walter Nyamongo MSc. Procurement and Logistics, Registered and licensed by KISM</p>	
11.	 <p>Elkana Kimeli, PhD, MBA, BBM, CPAK, CCP III</p>	Internal Audit
12.	 <p>Edwin Kamanda BSc. Computer Science Member Computer society of Kenya</p>	ICT Department
13.		

	 <p>Fabius Muendo Bachelors of Science in Mechanical Engineering</p>	<p>Production Planning</p>
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3. Fiduciary Management

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

No.	Designation	Name
1.	Ag. Managing Director	George Makateto
2.	Head of Human Resource & Administration	CS. Susan Mungai
3.	Head of Finance	CPA Patrick Kariuki
4.	Head of Procurement	Walter Nyamongo
5.	Sales and Marketing	Zipporah Samoei
6.	Head of Maintenance	Eng. Pius Githu, PE
7.	Head of CNC & FAB	Wesley Langat
8.	Head of Foundry	Collins Young
9.	Head of Research & Development	Eng. Zachariah Magondu
10.	Head of Quality Assurance	Solomon Ngahu
11.	Head of ICT	Edwin Kamanda
12.	Head of Internal Audit	Elkana Kimeli, PhD.
13.	Head of Production Planning	Fabius Muendo



4. Fiduciary Oversight Arrangements.

Audit and Risk Committee of the Board.

The **Audit and Risk Committee** is responsible for overseeing the organization's financial reporting process, internal controls, and risk management practices. It ensures the integrity and accuracy of financial statements and compliance with legal and regulatory requirements. This committee typically:

- Reviews and approves the scope of external audits and the results of the audit process.
- Evaluates the effectiveness of the organization's internal controls and risk management systems.
- Monitors the organization's risk profile and advises on risk mitigation strategies.
- Provides an independent review of financial reporting to prevent fraud and ensure transparency.

2. Finance Committee of the Board

The **Finance Committee** is tasked with overseeing the organization's financial health and ensuring the effective management of financial resources. It focuses on financial planning, budgeting, and monitoring financial performance. Responsibilities include:

- Reviewing and approving the annual budget and financial plans.
- Monitoring financial performance against the budget and making recommendations for adjustments as needed.
- Overseeing investment strategies, capital expenditures, and funding arrangements.
- Ensuring that financial resources are used efficiently and in alignment with the organization's strategic goals.

Fiduciary Oversight Arrangements (continued)

3. Public Finance Management Committee

The **Public Finance Management Committee** oversees the management of public funds, ensuring that these are used effectively, efficiently, and in accordance with laws and regulations. Its duties typically include:

- Monitoring the implementation of public financial management policies and procedures.
- Ensuring compliance with public finance legislation and standards.
- Reviewing and evaluating the efficiency and effectiveness of public spending.
- Advising on financial sustainability, revenue generation, and expenditure controls.

4. Budget Implementation Committee

The **Budget Implementation Committee** is responsible for ensuring that the approved budget is executed as planned and that resources are allocated effectively throughout the fiscal year. Key functions include:

- Monitoring the implementation of the budget, including tracking expenditures and revenues.
- Identifying and addressing any variances between budgeted and actual financial performance.
- Coordinating with various departments to ensure alignment with budgetary goals and objectives.
- Reporting on budget execution progress and recommending corrective actions if necessary.



5. Chairman's Statement



We are delighted that the company has remained true to its core mandate of manufacture of machinery and components. We remain steadfast in industrializing the country's development agenda towards becoming an industrialized economy that provides quality lives to its citizenry. Am pleased to share the financial performance for FY 2023/2024.

Revenue

The Government of Kenya has been critical in financing the Company's operations. The year under review has been challenging due to budget cuts from the exchequer. During the year, the company received **Kshs.32 million** towards development and **Kshs.338 million** for recurrent. The development funds have been committed for the rehabilitation and purchase of machines.



Despite key financial constraints, the business performance saw an increase in sales revenue from Kshs.58.7million to Kshs.153 million. The improved performance can be attributed to improved team work and synergies exhibited in all levels, efficiency and improved customer experience.

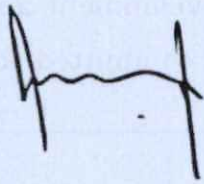
Chairman's Statement (Continued)

Strategic Plan 2023-2027

During the year, the organization finalized the preparation of its Strategic Plan 2023-2027. The plan highlights key strategic goals that will guide the organization within the planning period. The Strategic Plan will be launched in FY 2024/2025.

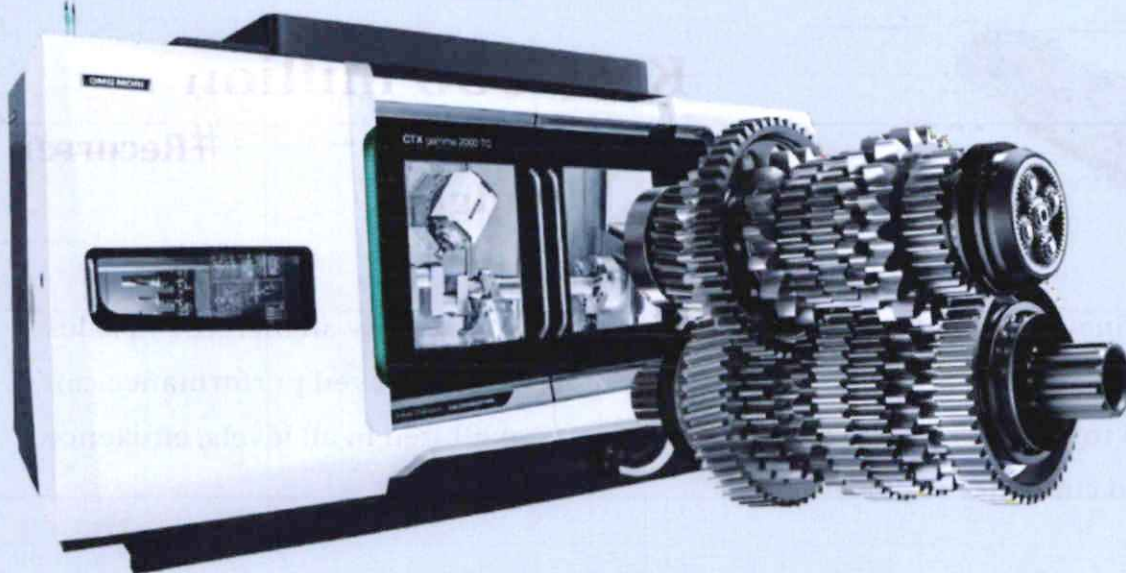
Conclusion

The Board of Directors is focused on building on the gains made so far and the emerging opportunities to steer the Company to greater prosperity. I wish to thank all our stakeholders for their unwavering support throughout the year.



Mr. Abdi Bare Duale

Chairman of the Board



6. Report of the Managing Director

Introduction



It is my great honour to present to you NMC annual financial statement for the year ended 30th June 2024. Throughout the period under review, we remained focused on our mandate of commercial production of steel, engineering design and manufacture of machinery and components. To enable the achievement of the mandate, NMC continued to invest with new technology for purposes of attaining its goal of promoting and facilitating industrialization. The company managed to create 101 new and 7 lapsed accounts during the year which contributed 13.2% of the sales revenue.

Business Performance

The 2023/2024 business strategy was guided by the organization's strategic plan and the set objectives for the period. During the year, the organization saw improved business performance from **Kshs.58.7million** registered in FY 2022/2023 to **Kshs.153 million** in FY 2023/2024.



Kshs.153million -
2023/24 FY

Kshs.58.7million -
2022/23 FY

One of the major business unit contributors was general fabrication which contributed 63% of the sales. Other business units were manufacture of Machine tools 13%, manufacture of spares and components 12%, Foundry product 7%, Training and sale

Report of the Managing Director (continued)

of engineering software 5% The improved performance was attributed to increased efficiency and enhanced customer experience.

In regard to the pretax profit, the organization achieved profit of **Kshs.1,371,828** against its target profit of **Kshs.4,517,751**

Target - Ksh.4,517,751

Achieved - Ksh.1,371,828



Operating Expenditure

Within the period under review, the organization operated within the budgeted expenditure of Kshs.370 million. The organization received Kshs.32 million development and Kshs.338 million recurrent funds from the exchequer. The development funds have been committed to purchase jolt squeeze machine, media balls tooling, notching and punching machine, development of edible oil machine and rehabilitation of other machines.

Projects undertaken during the year

The organization managed to undertake the following projects during the year;

- Execute Kenya Power contract for the supply of assorted steel fittings which contributed to the achievement of sales revenue. Further we had a strategic meeting with Kenya Power to discuss business opportunities for FY 2024/2025.
- The company is committed to modernization of the foundry and machining workshops. In the year under review, the company managed to rehabilitate and overhaul various equipment and purchase critical electronic cards. These

Report of the Managing Director (continued)

- machinery and equipment included heat treatment furnace, 250 Kg Induction Furnace, Disamatic Automatic moulding machine, milling machines, air compressors, forklifts and generators.
- Prepared, organized a stakeholders' forum and finalize on the Strategic Plan 2023-2027 which will be launched in the first quarter of FY 2024/2025.

Other activities

During the year, the organization undertook a number of significant activities and this included: -

- (i) Stakeholders' forum on strategic plan 2023-2027 which was aimed at receiving views on the proposed strategic plan
- (ii) Growing of 8,200 trees as per the Presidential directive on tree growing
- (iii) Participated in corporate social responsibility by purchasing of food stuff worth Kshs.200,000 for the people displaced by floods
- (iv) Monetary support to KICE Foundation Endowment Fund of Kshs.100,000 as a way of giving back to the community and to assist the children complete their education.
- (v) Business improved in term of sales and profitability

The company continues to adhere to the government directive of providing opportunities to the Youth, Women and Persons living with disability through access to Government Procurement Opportunities and promotion of local content. During the year, Kshs.15.98million was awarded to AGPO and Kshs.28.3million for promotion of local content.

NMC offered internship and attachment program to 135 students from various institutions to help them gain valuable work experience.

Report of the Managing Director (continues)

Future outlook

Looking ahead, the organization in FY 2024/2025 will continue to pursue its goals as highlighted in the strategic plan 2023-2027 that ensures that it achieves financial sustainability. The organization is in discussion with key customers namely; Kenya Power, East African Portland Cement, Kenya Airways, Kengen to have framework contracts that will be signed and executed under the planning period.

Appreciation

I would like to thank the Board for its continued wise, considered and expert oversight accorded to the organization. I would also like to thank the Government of Kenya through the Ministry of Investments, Trade and Industry for its continued support and guidance. I am encouraged by the remarkable support from the management and staff and other stakeholders, without whose commitment, loyalty and support we could not have achieved the improved results that we have.

My appreciation also goes to our customers for their loyalty to our products and services. Through them the business ultimately exists and their trust in our brand and offerings are central to our success.

We look forward to continuing to work with all the stakeholders as we go forward together into the future.

Thank you and God bless you.



George Makateto

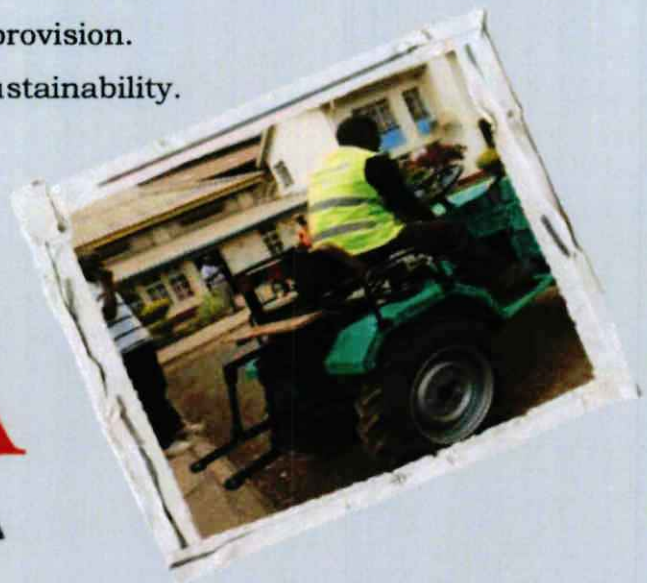
Ag. Managing Director

7. Statement of Performance against Predetermined Objectives for FY 2023/24

NMC is expected to be a key player in driving the country's industrialization agenda in line with vision 2030. The strategic goals, objectives and initiatives that NMC focused on achieving over the period. The strategic pillars represented the focal points within which NMC aimed its strategic initiatives in the transformation journey.

These were strategic pillars that NMC had to implement to achieve its mandate: -

1. Enhance development and production of engineering parts and machinery in support of BETA value chains.
2. To strengthen NMC's institutional capacity.
3. To achieve excellence in service provision.
4. To achieve long-term financial sustainability.



NMC developed an annual work plan based on the above four pillars. Assessment of NMC's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2023/24 for its four (4) strategic pillars, as indicated in the table below: -

Statement of Performance against Predetermined Objectives for FY 2023/24 (continued)

Strategic Pillar	Objective	Key Performance Indicators	Activities	Targets	Achievements
Enhance development and production of engineering parts and machinery in support of BETA value chains	Increase development and production of automotive parts in support of BETA value chains	Number of automotive parts manufactured	Manufacture of automotive parts	300	367
	Enhance the design and production of Machine tools.	Number of machines manufactured	Develop and manufacture of machinery	36	24
	Enhance production of railway rolling stock components	Tons of casting	Casting of foundry products	150	65.9
	Production of industrial parts in support of sustainability of existing industries.	Number of industrial parts manufactured	Manufacture of steel industrial parts	328,022	280,186
	Enhance the Research and Development arm of NMC	No. of equipment and training	Acquiring of R&D equipment	1	0
	Modernization of Foundry and CNC Workshop	Completion rate (%)	Rehabilitation of foundry and CNC Workshop	39.68	37.01

Strengthen NMC's institutional Capacity	Strengthen governance frameworks.	No. of policies	Formulation of policies.	0	0
	Transformation of Human resource to support NMC mandate	Number of staff employed.	Replacement of the vacant position-	4	2
			Training	112	40
To Achieve Excellence in Service Provision	Enhance customer relations and engagement	Customer Satisfaction index (%)	Undertaking Customers satisfaction survey	Increase by 16% from previous index	Increase of 9% from previous index
	Increase NMC brand visibility	No. of advertisement and exhibition attended	Undertook advertisement and exhibitions	8	4
To achieve Long Term Financial Stability	To mobilize resources to finance NMC operations and growth initiatives	Percentage of funds allocated against how much was requested.	Bidding for resources.	100	82.1

Statement of Performance against Predetermined Objectives for FY 2023/24 (continued)

Over the period NMC was able to contribute to Kenya's BETA value chains by designing and manufacturing parts totaling 280,186, Machines manufactured 24 and 65.9 tonnes of scrap metal processed.



8. Corporate Governance Statement

Numerical Machining Complex Ltd is committed to upholding the tenets of good corporate governance which is a reflection of its core values that include integrity, transparency, accountability, diligence, team spirit, loyalty and care for the environment. The Board has continued to guide the Company towards sustainable long-term success through the exercise of objective and informed decisions aimed at determining the strategy of the Company, ensuring that there is a competent team in place to implement the strategy, adheres to the laws and policies and effective controls to mitigate risks facing the business.

Board of Directors

In the period ending 30th June 2023, the Board was made up to eleven (11) members comprising of the Chairman, Managing Director Kenya Shipyard Limited, Managing Director Kenya Railways, alternate Directors for Permanent Secretary/National Treasury, the Permanent Secretary /Ministry of Education, the Permanent Secretary /Ministry of Transport & Infrastructure, the Permanent Secretary /Ministry of Education, Head of Public Service & Chief of Staff ,the Managing Director/NMC and two (2) independent directors of various backgrounds.

This in tandem with the Memorandum and Articles of Association of the Company.

Board Changes

Mr. Abdi Bare Duale was appointed as the Chairman of the Board on 5th February 2024 replacing the former Chairman Capt. (Rtd.) Muhamed Abdi Muhamed.

Corporate Governance Statement (continued)

The composition of the Board Committees as indicated in the table below:

Name of Director	Board Position	Board Committees				
		Human Resource	Audit & Risk	Finance	Technical	Land Ad-hoc
Capt. (Rtd.) Muhumed Abdi Mohamed	Chairman (Exited 5/2/24)					
Mr. Abdi Bare Duale	Chairman (W.e.f 5/2/24)					
Major Gen. Paul Otieno	MD/ Kenya Shipyard Ltd. Vice Chairman				Chair	
Ms. Lillian Moraa	Alternate to PS, Ministry of Investment, Trade and Industry			√		
Mr. James Nyambune	Alternate to PS Ministry of Education			√		√
Mr. Joseph Mutuma	Alternate to PS Ministry of Defense			Chair		
Ms. Yattanne Duba	Independent Member	Chair				
Mr. Geoffrey Mahinda	Independent Member		Chair			
Mr. Remmy Koech	Representing the MD/Kenya Railways Corporation		√			
Mr. Douglas Manyara	Alternate to PS Ministry of Defense		√			
Mr. Esther Maina	Alternate to PS Ministry of Transport (Exited 15/1/24)				√	
Eng. Gilbert Arasa OGW,	Alternate to PS Ministry of Transport				√	

Total No. of Meetings	Special Board meetings	Board Meetings	Human Resource	Audit & Risk	Finance & Technical	Land Ad- hoc	Board Induction
Manyara							
Ms. Lilian Moraa	5/5	4/4	-	-	4/5	-	-
Esther Maina	0/5	2/4	-	-	1/5	-	-
Eng. Gilbert Arasa	2/5	¼	-	-	2/5	-	-
Joseph Mutuma	-	-	-	-	2/5	-	-

Succession Planning

- Under Mwongozo Code of Governance, the appointing authority is required to ensure the tenures of the Board members are staggered to ensure a phased transition.
- The Chairperson, members and Managing Directors have different dates of appointment.

Existence of a Board Charter

The Board has developed and put in place a Board Charter. The Charter has defined the roles to ensure there is clear separation of responsibilities as required under good corporate governance.

Process of Appointment and Removal of Directors

Appointment and removal of Directors are made in line with legal and statutory requirements i.e. the Constitution of Kenya 2010, NMC Memorandum and Articles.

Corporate Governance Statement (continued)

of Association and the State Corporations Act. The appointment takes into consideration the mix of skills and competencies required for the achievement of the Company's long-term goals.

RCE, FIEK	(W.e.f. 15/1/24)					
Ms. Mary Kimonye	Representing to Chief of Staff & HOPS	√				

Board Meetings

The Board of Directors meets regularly as required in order to effectively and efficiently monitor the implementation of the Company's planned strategies, review it in conjunction with its financial performance and business development and approve issues of strategic nature.

The notice, agenda and detailed Board papers are circulated on a timely basis to ensure that the directors receive accurate, timely and clear information for decision making.

No. of Board Meeting Held and Attendance

The Board held four (4) full Board meetings and five (5) special Board meetings during the year in review as below:

Total No. of Meetings	Special Board meetings	Board Meetings	Board Meetings				
			Human Resource	Audit & Risk	Finance & Technical	Land Ad- hoc	Board Induction
Capt. Muhamed Abdi Muhamed	0/5	³ / ₄	-	-	-	-	-
Mr. Abdi Bare Duale	4/5	¹ / ₄	-	-	-	-	-
Mr. George Makateto	5/5	4/4	5/5	-	5/5	-	-
Mr. Philip M, Nyingi	0/5	0/4	-	-	0/5	-	-
Mr. James Nyambune	3/5	³ / ₄	5/5	-	4/5	-	-
Ms. Yattane Duba	5/5	³ / ₄	5/5	-	5/5	-	-
Mr. Remmy Koech	3/5	³ / ₄	-	4/4	-	-	-
Mr. Geoffrey Mahinda	5/5	4/4	-	4/4	-	-	-
Mr. Douglas	4/5	4/4	-	4/4	-	-	-

Roles and Functions of the Board

The Board provides leadership and strategic direction to the company and is tasked with the following responsibilities:

- Determining the business strategies, plans and policies that underpin the corporate strategy.
- Discussing and approving strategic plans, policies and annual budgets.
- Continually monitoring the exercise of delegated power by management.
- Ensuring that a comprehensive system of policies is in place and that appropriate governance structures exist to ensure smooth, efficient and prudent stewardship of the company.
- Identify and review key risks, opportunities and strengths relating to the company.
- Ensuring that the company's organizational structure and capability are appropriate for implementing strategies.
- Setting policies on internal controls and obtaining regular assurance that the system is functioning effectively and is effective in managing risks.

Induction and Training

Each year the Board of Directors prepare a training calendar where specific training needs are identified and scheduled. The training focuses on leadership, risk management, governance, finance and other relevant areas. A detailed induction programme is conducted for newly appointed Directors to enhance their understanding of the nature of business operations, performance and strategies.

Corporate Governance Statement (continued)

Board and Member Performance

The Board undertakes an annual self-assessment for continuous growth and development of individual members and to enhance collective performance. During the year, the Board undertook the annual evaluation assisted by the State Corporations Advisory Committee (SCAC) and achieved a score of

83.6%. An action plan was developed focusing on areas that require improvement.

Conflict of Interest

The Directors declare conflict of interest in respect to the agenda items to be discussed in every meeting. SCAC is required to undertake the governance audit in compliance with Mwongozo Code of Governance.

Board Remuneration

Board members were remunerated for their services in accordance with the relevant legislative provisions or as guided by the State Corporations Advisory Committee.

Directors were entitled to sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within set limits of the State Corporations.

In addition, the Chairman is paid a monthly honorarium.

Details of Directors' emoluments during the year are shown below

No	Allowance	Chairman	Boardroom
1	Honoraria	Kshs.80,000	N/A
2	Sitting	Kshs.20,000 per sitting	Kshs.20,000 per sitting
3	Airtime (mobile)	5,000 per month	N/A
4	Lunch	Kshs.2,000 per day	Kshs.2,000 per day
5	Transport	Determined by prevailing guideline, National Treasury Circular 2015 paid at prevailing AA of Kenya rates	
6	Personal Accident Cover (not life)	Procured competitively	

7	Medical Expenses	Inpatient Kshs.2million per annum. Outpatient Kshs.100,000 per annum and last expense (self) Kshs.100,000.
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Ethics and Conduct

The Board ensures all Board members subscribe to the code of ethics and conduct promoting ethical conduct and sanctions of misconduct.

Governance Audit

The governance audit was not conducted during the period in review.



9. Management Discussion and Analysis

Operational Performance

One of the strategies that the company employs is Government to Government procurement especially for the energy sector which has several fabrication products namely steel fittings and meter seals. NMC has six (6) business units that contribute to sales revenue.

In the year under review, the company managed to manufacture several products and offer services as shown below:



Management Discussion and Analysis (continued)

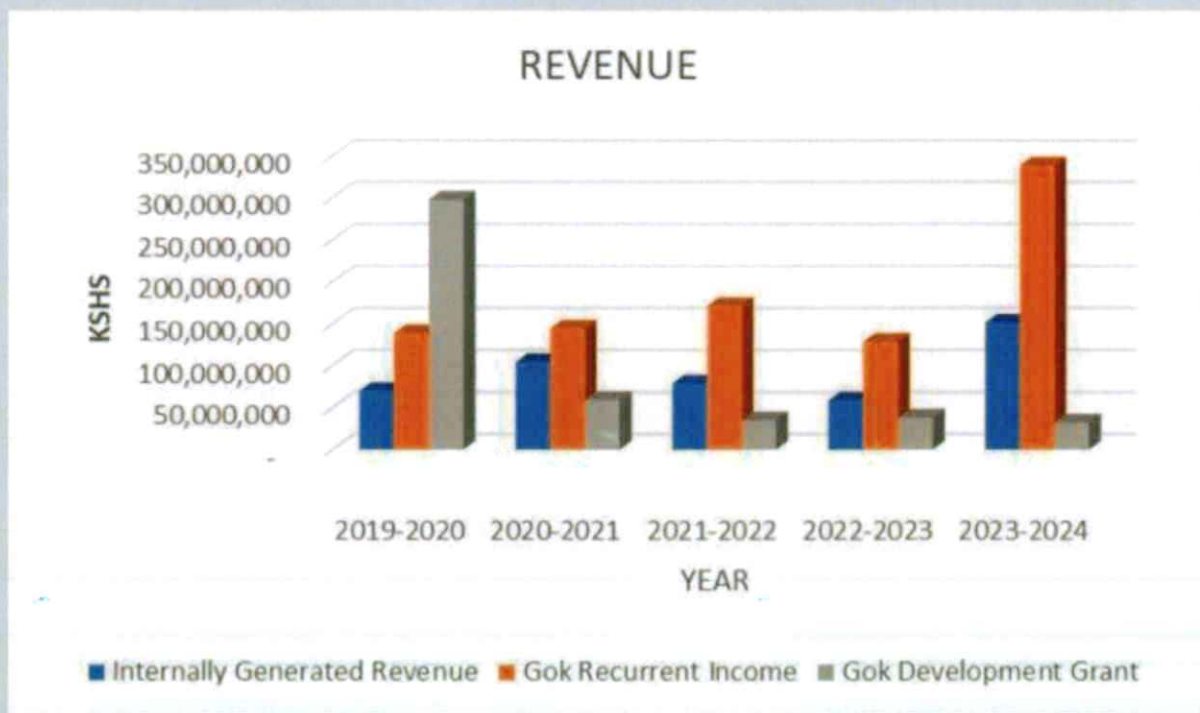
Financial Performance

During the year under review the company's turnover increased by 165% to stand at Kshs.153M from Kshs.58.7M reported in the FY 2022/2023.

NMC total revenue for the year ended 30th June 2024 was Kshs.339 million. This represents an increase of 50.67% compared to revenues received in the Financial Year 2022-2023.

NMC received a recurrent grant of Ksh. 338,830,000 which was an increase from the previous financial year of Ksh. 188,030,000. Development grant of Ksh. 32,220,000 was received in FY 2023/24 against the allocated Ksh. 80,000,000.

NMC increased sales from Ksh. 57.8M in FY 2022/23 to Ksh. 153.2M after successfully converting approximately 81% of the work in process from previous year to finished product.



Management Discussion and Analysis (continued)

NMC's key projects or investments decision implemented or ongoing,

The company has a key project of Modernization of Foundry and CNC workshop whose estimated cost is Kshs.1.788B. Currently we have received Kshs.661.77m culminating to a project completion of 37.77%. The funding received has facilitated the purchase of machines and equipment during the year in review.

NMC's compliance with statutory requirements

The company was able to settle all its statutory obligations during the year under review.

Major Risks Facing the Organization

i. Operation risks

This includes various factors that contributed to failures in execution of operations and negatively affected the overall performance of the company:

- a. Failure to automate our processes.
- b. Inadequate human capital with required skills and competences.
- c. Delayed processes due to lack of materials and parts.

ii. Financial Risks

Risks in this category include factors that affected internal financial operations:

- a. Inability to raise adequate revenue.
- b. Inability to meet financial obligations.

iii. Strategic Risks

This risk involves the decision the company makes. During the year NMC lacked strategic direction due to delay in finalizing the launch and finalization of NMC Strategic Plan 2023-27.

iv. Market Risk

This risk is associated with change of market prices which includes

- a. Depreciation of Kenyan currency against foreign currencies.
- b. Commodity prices and interest rate. NMC is currently affected by commodity prices and interest due to heavily relying on imports for machines, equipment and raw materials.
- c. Competition risks from other players like change of customer expectations and imbalance in the use of new technology.

Material Arrears in Statutory and Other Financial Obligations.

NMC has no material arrears but has financial obligations to creditors who had not been paid by the closure of the financial year of Ksh. 46,576,699.

Review of the economy

The Country's economy has been greatly affected by the depreciation of Kenya shillings which affected the prices of goods & services and the effects of floods. Despite the challenge, the Gross Domestic Product (GDP) grew by 5.6% in 2023 compared to a revised growth of 4.9% in 2022. The positive growth was notable across most sectors of the economy and was mainly driven by rebound in agricultural activities that contracted in 2022. In 2024, the economy is expected to grow at a slower pace of 5.4%.

Manufacturing Sector

The manufacturing sector grew by 2.0% in 2023 compared to a growth of 2.6% recorded in 2022. The energy sector was characterized by high prices but the demand for domestic electricity increased by 3.1%. The share of manufacturing sector to GDP in 2023 was 7.6% and the main drivers in manufacturing growth were;

- Manufacture of structural metals, motor vehicle, trailers & semi-trailers
- Manufacture of basic metals
- Manufacture of sugar and
- Manufacture of machinery and equipment

Management Discussion and Analysis(continued)

Manufacturing growth is expected to grow by 9% in 2024 and this growth is a good opportunity for NMC to manufacture and supply steel fittings, industrial spares, castings and machinery & equipment to various industries.

Future developments

NMC's land at Athi River has been earmarked for establishing a green manufacturing hub by MSMEs to design and manufacture parts and components for automotive and industries ranging from electric cars, electronics components, solar systems, machines and equipment.

Other measures put in place by management to mitigate and improve the financial performance in the coming year include: -

- Reduction of cash conversion cycle.
- Framework contract with suppliers to ease delivery of material inputs and in conformity with PPAD Act 2015.
- Invest in machines and people to enhance production efficiencies.
- Negotiate credit terms with our main suppliers in order to improve on



10. Environmental and Sustainability Reporting

Kenya has made significant political and economic reforms that have contributed to sustainable economic growth, social development and political stability over the decade. However, its key development challenges still include climate change and environmental pollution.

Numerical Machining Complex exists to transform lives. We have sought to drive a broad development philosophy and to bring excellence and best practices in the markets in which we operate. We do this by designing, developing, manufacturing machines and equipment which provide mechanization which is locally produced and therefore provide import substitutions and create employment.

We recognize that we have a responsibility to our stakeholders to apply the best practices to manage Environment, Social and Governance (ESG) matters across our operations. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

(i) Sustainability Strategy and Profile

The company has taken sustainability in business operations. We have aligned our operations to sustainable development goals (SDGSs) namely responsible consumption and production, affordable and clean energy, innovation, waste reduction and water management adopted by the company and embedded in our everyday business operations. Responsible consumption and production, innovation, energy efficiency, increased waste consumption and water management. Our organization makes greater business sense for us to save money, minimize climate change risk, enhance business image, improve customer and staff satisfaction.

(ii) Environmental Performance

Environmental and Sustainability Reporting (continued)

NMC has put in place initiatives to prevent continued degradation of the environment in its manufacturing processes. We acknowledge the impact our operations have on the environment. Our approach to environment and environmental management therefore involved diligently identifying and controlling environment risks from sourcing raw materials to production, operations, and product distribution across our market of operations. Our aim is to proactively reduce our impact on the environment, champion a proactive stance in protecting our planets and shape a sustainable future.

NMC has thereby implemented a range of initiatives to reduce emissions and promote sustainability in its operations. Some of the initiatives that NMC has put in place to guide on environmental sustainability include: The Company contracted NEMA certified waste disposal management companies to collect used oil. This ensured that the oil supplied was handled properly from the site to its destination.

(iii) Employee Welfare

NMC considered its human capital as an important and integral part of all its operations. The company thus, is committed to being an equal opportunity employer by attracting, recruiting, and retaining skilled employees aimed at ensuring it achieves its strategic objectives. Further, NMC is committed to promote equity and foster equality at the place of work.

The company in the year under review managed to undertake all the statutory inspections as guided by the OSH Act and regulations. The activities included statutory inspection of Firefighting equipment, Material handling equipment including cranes and forklift. The company has also invested in personal protective equipment as well as first aid kits for the staff.

(iv) Market Place Practices

The company conducted its business in an ethical manner and always strived to follow the general principles namely; respect for customers & suppliers, honesty, integrity and objectivity. Integrity is one of NMCs core

values and the organization has provided various ways of reporting bribery and corruption related matters.

Environmental and Sustainability Reporting (continued)

a) Responsible competition practices

NMC practiced a set of business practices that promoted healthy market dynamics, fostered innovation, and benefited both customers and its business without resulting to unethical or anti-competitive behaviour. NMC strictly adhered to anti-corruption laws and regulations which prohibit bribery, extortion, and other forms of corruption in business transactions. NMC has a robust internal control system to prevent corrupt practices within the organizations.

b) Responsible supply chain and supplier relations

NMC focused on responsible supply chain management and cultivated positive relationships with its suppliers. This demonstrated commitment to ethical standards, transparency, competitiveness, fairness, cost - effectiveness and equity in the supply chain processes.

c) Responsible marketing and advertising

NMC was committed to responsible marketing & advertising and in compliance with the existing laws. As a company that deals with the manufacture of various products, machines & machinery, we promoted the benefits of our products using different channels of brand communication and ensured that its marketing communications are decent, honest and truthful for its targeted market.

d) Product Stewardship

Driven by business and consumer demands, NMC strived to ensure that their products and operations are legally compliant across the globe and satisfied the company's sustainability objectives. Our multidisciplinary team worked collaboratively with clients to develop and implement practical strategies that identified, prioritized, and met these constantly and rapidly-changing demands.

NMC strived to stay a step ahead of any necessary compliance changes and identified the best ways to comply with changes to regulations and standards before they become effective. Thus, we undertook pre-development screening to ensure that products complied with current regulations.

The company reduces/reuse/recycle/refuse/rethink raw materials such as sand and scrap metals in the foundry plant operation. In addition, NMC ensured the products manufactured are within the safety and standard required throughout their life cycle.

(v) Corporate Social Responsibility / Community Engagements

NMC corporate social responsibility is aimed at creating a positive impact in the society. The main aim was to contribute to sustainable development through sponsorship programmes and giving back to the society. NMC also contributed funds to support the KICE Foundation.

During the year under review, NMC sponsored through monetary support to flood victims in Nairobi. NMC also participated in tree planting in Bungoma, Narok, Embu and Langata Barracks.



11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 30th June 2024 which show the state of the company's affairs.

(i) Principal activities

The principal activities of NMC are the commercial production of steel, engineering design and development of machinery and components.

(ii) Results

The results of the company for the year ended 30th June 2024 are set out on page one (1). During the year, the company made a pre-tax profit of Kshs.1,371,828 during the FY 2023/2024 compared to a loss of Kshs.129,988,809 in the FY 2022/2023.

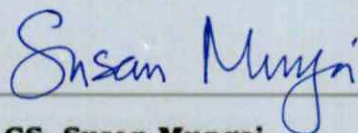
(iii) Directors

The members of the Board of Directors who served during the year are shown on page ix in accordance with Regulation of the state corporations Act (Cap 466).

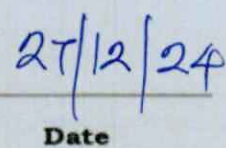
(iv) Auditors

The Auditor General is responsible for the statutory audit of Numerical Machining Complex Ltd in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board


CS. Susan Mungai


Signature


Date

12. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

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

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

The Directors responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial

Statement of Directors' Responsibilities (continued)


Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act)

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

Nothing has come to the attention of the Directors to indicate that the *entity* 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 *entity's* financial statements were approved by the Board on 24th September 2024 and signed on its behalf by:


.....

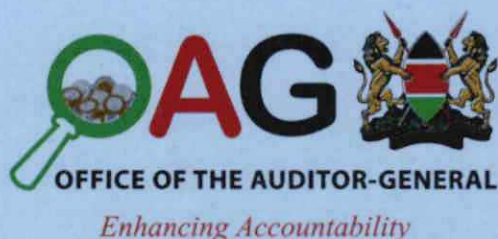
Name: Mr. Abdi Bare Duale
Chairman of the Board


.....

Name: George Makateto
Accounting officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NUMERICAL MACHINING COMPLEX LIMITED OR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Numerical Machining Complex Limited set out on pages 1 to 50, which comprise of the statement of financial position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Inaccuracies on the Grants from the National Government

The statement of profit or loss and other comprehensive income reflects grants from the National Government of Kshs.322,848,095 as disclosed in Note 8 to the financial statements. However, the amount reported in the comparison of budget and actual amounts and the confirmation letter sent to the Parent Ministry is Kshs.338,030,000 resulting in unexplained variance of Kshs.15,181,905.

In the circumstances, the accuracy and completeness of the grants from the National Government of Kshs.322,848,095 could not be confirmed.

2. Investment Property

The statement of financial position reflects property, plant and equipment balance of Kshs.17,591,077,184 as disclosed in Note 13 to the financial statements which includes Kshs.17,000,000,000 for land. However, the following observations were made:

2.1 Long Outstanding Debtors

As previously reported, the Government of Kenya in 1994 allocated the Company land measuring approximately 703.59 hectares in Movoko, Athi River. In 2001, the Company with the consent of the Government sold part of the land measuring 242.89 hectares to individuals and other entities whose titles deeds have not been wholly processed and released. The Company continued to pay rates based on the original title deed up to

2009. Further, a net amount of Kshs.6,640,310 due from individuals has remained unpaid since 2001. The recoverability of the debt therefore remained doubtful

2.2 Encroachment of Land

As previously reported, the remaining portion of the unsold land measuring 460.70 hectares was not fenced and has been encroached by informal settlers and other parties who have put up permanent structures.

2.3 Title Deed not Updated

As previously reported, on 14 January, 2003 a new title deed was issued to the Company for a parcel of land measuring approximately 202.4 hectares which did not match the actual size of the land of 460.70 hectares. A letter from the Ministry of Lands dated 17 February, 2009 indicated that the title had been subdivided and new Land Reference numbers (LR's) given, however Management did not provide the new title deed for audit.

In the circumstances, the ownership and security of the land balance of Kshs 17,000,000,000 could not be confirmed

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, several issues were raised in both Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues as at 30 June, 2024.

Other Information

The Management is responsible for the other information set out on page v to liii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement,

Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance in Board Composition

Review of records revealed that the Board only had one (1) independent member during the year under review. This was contrary to Section 1.1 of the Mwongozo Code of Governance for State Corporations which requires that at least one third of the Board members shall be independent upon appointment and maintain their independence during their term of service on the Board respectively.

In the circumstances, the Board was in breach of the guidelines from Mwongozo Code of Governance for State Corporations.

3. Accounts Payables

The statement of financial position reflects trade and other payables of Kshs.72,752,312 as disclosed in Note 21 to the financial statements. Included in this balance is Kshs.36,667,076 specifically for trade payables which has been outstanding for more than three (3) months without being paid. As at the time of audit in December, 2024 the amounts had not been cleared. This was contrary to Section 94(1) which requires a state organ to meet its financial obligations as they fall due.

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

3. Failure to Adhere to the Two-Thirds Gender Rule

Review of the Company's staff establishment revealed that out of one hundred and thirteen (113) employees, ninety-one (91) employees were male translating to 81% which is beyond the maximum limit of 66%. This was in contravention of Section B.22 (2) of the Human Resource Policies and Procedures Manual for the Public Service May, 2016 which states that, the Government will endeavour to have a gender balanced Civil Service by ensuring that not more than 2/3 of positions in its establishment are filled by either gender.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that except for the matter described in the Basis for Qualified Opinion, I confirm 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. Information given in the Directors' report on pages li is consistent with the financial statements; and

- iii. The auditable part of the Directors' remuneration report on page 30 has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of the 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit


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

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December 2024

**14. Statement of Profit and Loss and Other comprehensive income
for the year ended 30th June 2024**

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenues			
Revenue from Contracts with Customers	6	153,201,480	58,736,027
Cost of sales	7	(243,548,255)	(153,526,679)
Gross profit		(90,346,775)	(94,790,652)
Other income			
Grants from the national government	8	322,848,095	224,400,117
Other income	9	-	218,352
Total revenues		232,501,320	129,827,817
Operating expenses			
Administration costs	10	(214,753,960)	(249,002,259)
Selling and distribution costs	11	(16,375,532)	(10,814,367)
Total operating expenses		(231,129,492)	(259,816,626)
Profit/(loss) before taxation		1,371,828	(129,988,809)
Income tax expense/(credit)		(411,548)	0
Profit/(loss) after taxation		960,279	(129,988,809)
Earnings per share – basic and diluted		0	0
Dividend per share		(48,014)	0


Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Other comprehensive income			
Profit/ (loss) after taxation		0	0
Surplus or deficit on revaluation of PPE		0	0
Re-measurement of net defined benefit liability		0	0
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI		0	0
Total comprehensive income for the year		912,266	(129,988,809)

15. Statement of Financial Position as at 30 June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Assets			
Non-Current Assets			
Property, Plant and Equipment	13	17,591,077,184	965,678,998
Total Non-Current Assets		17,591,077,184	965,678,998
Current Assets			
Inventories	14	42,578,882	116,955,653
Trade And Other Receivables	15	128,902,136	112,387,196
Bank And Cash Balances	16	79,572,542	1,490,140
Total Current Assets		251,053,560	230,832,989
TOTAL ASSETS		<u>17,842,130,744</u>	<u>1,196,511,987</u>
Equity And Liabilities			
Capital And Reserves			
Ordinary Share Capital	17	1,214,024,646	1,214,024,646
Revaluation Reserve	18	17,308,387,541	598,387,541
Retained Earnings	20	(1,690,823,592)	(1,798,118,605)
Capital		937,741,823	966,604,803
Proposed Dividends		48,014	0
Capital and Reserves		17,769,378,432	980,898,385
Non-Current Liabilities			
Total Non-Current Liabilities		0	0

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Current Liabilities			
Trade And Other Payables	21	72,752,312	215,613,602
Total Current Liabilities		72,752,312	215,613,602
Total Equity and Liabilities		<u>17,842,130,744</u>	<u>1,196,511,987</u>

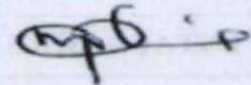
The financial statements were approved by the Board on 24th/09/ 2024 and signed on its behalf by:



Name: Abdi Bare Duale
Chairman of the Board



Name: George Makateto
Ag. Managing Director



Name: Patrick Kariuki
Head of Finance
ICPAK M/NO: 11770

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

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
As at July 1, 2022	1,214,024,646	158,993,190	0	(1,668,129,796)	0	1,024,882,420	729,770,460
Revaluation gain	-	439,394,351	-	-	-	-	439,394,351
Prior period adjustment				57,988,041			57,988,041
Profit for the year	-	-	-	(129,988,809)	-	-	(129,988,809)
Capital/development grants received during the year	-	-	-	-	-	38,000,000	38,000,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(96,277,617)	(96,277,617)
At June 30, 2023	1,214,024,646	598,387,541	0	(1,798,118,605)	0	966,604,803	980,898,385
As at July 1, 2023	1,214,024,646	598,387,541	0	(1,798,118,605)	0	966,604,803	980,898,385
Revaluation gain	-	16,710,000,000	-	-	-	-	16,710,000,000
Prior period adjustment				106,382,747			106,382,747
Profit for the year	-	-	-	912,266	-	-	912,266

Numerical Machining Complex Limited
 Annual Report and Financial Statements for the year ended June 30, 2024

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
Capital/development grants received during the year						32,220,000	32,220,000
Proposed Final Dividends					48,014		48,014
Transfer of depreciation/amortization from capital fund to retained earnings			-		-	(61,082,980)	(61,082,980)
At June 30, 2024	1,214,024,646	17,308,387,541	0	(1,690,823,592)	48,014	937,741,823	17,769,378,432

Note:

1. NMC Received additional Grant of Kshs. 150,000,000 which was meant to settle staff arrears, tax obligations and also help in part payments of creditors with long overdue debts.
2. Land was revalued and the appreciated amount is included in the statement of change in equity.

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

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations	22	121,126,747	5,482,094
Taxation paid		0	0
Net cash generated from/(used in) operating activities		121,126,747	5,482,094
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(14,181,365)	(113,569,863)
Net cash generated from/(used in) investing activities		(14,181,365)	(113,569,863)
Cash flows from financing activities			
Increase in capital grants		(28,862,980)	(47,201,515)
Net cash generated from/(used in) financing activities		(28,862,980)	(47,201,515)
Increase/(decrease) in cash and cash equivalents		78,082,402	(155,289,284)
Cash and cash equivalents at beginning of year		1,490,140	156,779,424
Cash and cash equivalents at end of the year	16	79,572,542	1,490,140

18. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	A	B	c = a + b	d	E = c - d	d/c%
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Sale of goods	190,000,000	0	190,000,000	153,201,480	36,798,520	81%
Transfers from the government	188,030,000	73,735,115	261,767,115	261,767,115	0	100%
Transfers for prior periods	0	76,262,885	76,262,885	76,262,885		
Total income	378,030,000	150,000,000	528,030,000	491,231,480	36,798,520	93%
Expenses						
Compensation of employees	186,406,420	0	186,406,420	156,130,797	30,275,623	84%
Use of goods and services	3,750,000	0	3,750,000	4,838,828	-1,088,828	129%
Other payments	183,355,829		183,355,829	173,914,3810	9,441,448	94%
Other payments from additional grants FY 2023/24		73,735,115	73,735,115	73,735,115	0	100%
Prior Period		76,262,885	76,262,885	76,262,885	0	100%
Grants and subsidies paid	0	0	0	0	0	0%
Total expenditure	373,512,249	0	523,512,249	489,859,652	33,652,597	94%
Surplus for the period	4,517,751	0	4,517,751	1,371,828	-3,145,923	30%
Capital Expenditure	82,000,000	-49,780,000	32,220,000	32,220,0000	0	40%

Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2024(continues)

1. Sale of goods

The company did not achieve 19% of the projected revenues. These revenues were to be generated from diversified product lines. This was affected by cash inflow inadequacy and most of the work was under work in progress by the end of financial year.

2. Compensation to Staff

This expenditure is lower by 16% due to non-replacement of staff who had left the company during the year.

3. Use of Goods

This expenditure increased by 262% due to costs related to securing the company Land at Mavoko.

4. Development account

During the year under review, the company development expenditure was reduced by 40% as a result of budget cut by The National Government.

19. Notes to the Financial Statements

1. General Information

Numerical Machining Complex Ltd is established by and derives its authority and accountability from the

Companies Act. The company is wholly owned by the Government of Kenya through 51% of equity held by Kenya Shipyard Ltd and 49% held by Kenya Railways Corporation and is domiciled in Kenya. The company's principal activity is the commercial production of steel, engineering design and development of machinery and components.

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 revalued 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 judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment 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 company.

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.

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022).	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1 st , 2024. Earlier application is permitted. The standard is applicable in NMC in FY2023/2024.
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 st , 2024. Earlier application is permitted. The standard is not applicable in NMC in FY2023/2024

<p>Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)</p>	<p>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.</p>	<p>The amendments are effective for annual periods beginning on or after January 1st, 2024. Earlier application is permitted. The standard is not applicable in NMC in FY2023/2024</p>
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The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii. *Early adoption of standards the entity did not early – adopt any new or amended standards in year 2023/2024.*

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from the National Government** are recognized in the year in which the *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from revaluation are credited to other revaluation reserves. 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 recognized 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	-	<i>Nil</i>
Buildings and civil works	-	<i>50 years or 2% the unexpired lease period</i>
Plant and machinery	-	<i>8 years or 12.5%</i>
Motor vehicles, including motorcycles	-	<i>5 years or 20%</i>
Computers and related equipment	-	<i>3 years or 33.33%</i>
Office equipment, furniture and fittings	-	<i>8 years or 12.5%</i>

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

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) Amortization and impairment of intangible assets

Amortization 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 recognized 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)

Notes to the Financial Statements (Continued)

of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income

upon the bond's disposal or maturity. Fixed interest investments are freely traded

Notes to the Financial Statements (Continued)

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)

j) Quoted investments

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

k) Unquoted investments

Unquoted investments are measured at fair value through profit or loss (FVTPL). *(Entity to elaborate how this fair value is obtained)*

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

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 recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis.

Notes to the Financial Statements (Continued)

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.

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their

carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the

deferred taxes relate to the same taxable entity and the same taxation authority.

p) Borrowing costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

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 amortized 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, 2020. 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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

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 based on Tier 1 & 11 per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2023-2024 was approved by the National Assembly on 07/08/2023. 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. Accordingly, the entity registered increased appropriations of 150,000,000 in the budget for the FY 23/24 following the governing body's approval.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 of these financial statements.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

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.

Notes to the Financial Statements (Continued)

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. value of the land

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

Notes to the Financial Statements (Continued)

- 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.

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.

(include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

Notes to the Financial Statements (Continued)

6. Revenue from contract with customers

Description	2023/2024	2022/2023
	Kshs	Kshs
Manufacture of Machine tools	20,291,165	830,862
Casting of ferrous foundry products	9,911,045	10,518,261
Manufacture of general spares & Components	18,519,281	22,792,864
General Fabrication	96,705,127	9,820,446
Training & Sale of Engineering software	7,656,012	13,715,270
Engineering Services	118,850	1,058,324
Total	153,201,480	58,736,027

7. Cost of Sales

Description	2023/2024	2022/2023
	Kshs	Kshs
Cost of sales on goods	142,424,784	40,185,087
Cost of sales-Direct labour	85,410,984	96,446,160
Cost of sales on services-Electricity	15,533,602	16,689,914
Cost of sales on services-Water	178,885	205,518
Total	243,548,255	153,526,679

8. Grants from National Government

Description	2023/2024	2022/2023
	Kshs	Kshs
Recurrent grants received	188,030,000	128,122,500
Additional grant received and recognised this year	73,735,115	0
Capital grants realized (see note below)	61,082,980	96,277,617
Total	322,848,095	224,400,117

Out of Kshs.150,000,000 received as additional grants, Kshs. 76,264,885 was used to clear prior year outstandings

Notes to the Financial Statements (Continued)

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Insert Current FY Kshs	Insert Comparative FY Kshs
Ministry of Industry, Trade & Enterprise Development	261,765,115	61,082,980	32,220,000	355,068,095	262,400,117
Total	261,765,115	61,082,980	32,220,000	355,068,095	262,400,117

9. Other Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Other miscellaneous receipts	0	218,352
Total	0	218,352

Notes to the Financial Statements (Continued)

10. (a) Administration Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Staff costs (note 10b)	62,270,059	71,866,119
Directors' emoluments	3,082,958	4,615,973
Electricity and water	1,904,841	2,059,953
Communication services and supplies	732,024	920,756
Transportation, traveling and subsistence	3,223,880	854,336
Advertising, printing, stationery & photocopying	805,084	477,716
Staff training expenses	5,148,656	3,776,366
Hospitality supplies and services	2,460,496	2,054,147
Insurance costs	1,028,439	1,028,519
Staff medical costs	80,044	16,547,811
Bank charges and commissions	806,982	618,584
Office and general supplies and services	2,652,370	2,541,249
Auditors' remuneration	600,000	1,898,276
Legal fees	2,336,404	304,981
Repairs and maintenance	1,115,926	4,466,530
Provision for bad and doubtful debts	12,779,295	24,669,912
Depreciation	98,783,179	96,799,940
Other operating expenses	14,943,323	13,501,091
Total	214,753,960	249,002,259

Note

- In the F/Y 2023-24, the company did not have medical cover for its staff
- The electricity and water expenses have been apportioned to direct cost of production in the ratio of 90% (Kshs17,259,557) and 50% (Kshs357,770) respectively.

Notes to the Financial Statements (Continued)**10(b) Staff Costs**

Description	2023/2024	2022/2023
	Kshs	Kshs
Salaries and allowances of permanent employees	46,828,915	153,559,676
Wages of temporary employees	0	7,803,382
Medical insurance schemes	0	0
Employer's contributions to national social security schemes	2,088,720	813,520
Employer's contributions to pension scheme	8,967,553	8,931,072
Leave pay	3,754,871	3,939,776
Gratuity provisions	0	837,000
Fringe benefit tax	0	0
Staff welfare	630,000	1,206,207
Total	62,270,059	177,090,583
The average number of employees at the end of the year was:		
Permanent employees – management	12	9
Permanent employees – unionisable	100	112
Temporary and contracted employees	1	15
Total	113	136

Note: The reduction of staff costs by Kshs 30 million was mainly attributed to reduction in the number of permanent staff as well as temporary engagements.

Notes to the Financial Statements (Continued)

11. Selling and Distribution Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Salaries and wages of Sales personnel	9,355,824	8,778,304
Marketing and Promotional expenses	7,019,708	2,036,063
Total	16,375,532	10,814,367

12. Operating Profit/ (Loss)

Description	2023/2024	2022/2023
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 10b)	62,270,059	71,866,119
Selling and distribution Expenses	16,735,532	10,814,367
Other Administration costs	18,462,359	49,152,039
Depreciation of property, plant and equipment	98,783,179	96,799,940
Provision for bad and doubtful debts	12,779,295	24,669,912
Directors' emoluments – fees	2,046,234	4,077,900
- other	1,036,724	538,073
Auditors' remuneration - current year fees	600,000	1,898,276
	231,129,492	259,816,626

Notes to the Financial Statements (Continued)

13. Property, Plant and Equipment

Description	Land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost after valuation							
At July 1, 2023	290,000,000	71,065,689	696,878,543	4,300,000	18,652,274	5,489,099	1,086,385,605
Revaluation	16,710,000,000						16,710,000,000
Additions 2023/2024	0	0	13,170,635	0	1,010,730	0	14,181,365
At June 30, 2024	17,000,000,000	71,065,689	710,049,178	4,300,000	19,663,004	5,489,099	17,810,566,970
Depreciation							
At July 1, 2023	0	25,327,981	87,531,849	860,000	6,296,077	690,700	120,706,607
Charge for the year	0	1,421,314	89,178,179	860,000	6,632,986	690,700	98,783,179
At June 30, 2024	0	26,749,295	176,710,028	1,720,000	12,929,063	1,381,400	219,489,786
Net book value at June 30, 2024	17,000,000,000	44,316,394	533,339,150	2,580,000	6,733,941	4,107,699	17,591,077,184

Notes To the Financial Statements (Continued)

Property, Plant and Equipment (Continued)

Description	Land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
At July 1, 2022	290,000,000	63,820,368	0	0	0	0	353,820,368
Revaluation 15 th Jan 2022	0	0	569,466,000	4,300,000	15,674,600	5,193,600	594,634,200
Additions 2021/2022	0	0	23,633,760	0	471,914	255,500	24,361,174
Additions 2022/2023	0	7,245,321	103,778,783	0	2,505,760	39,999	113,569,863
At June 30, 2023	290,000,000	71,065,689	696,878,543	4,300,000	18,652,274	5,489,099	1,086,385,605
Depreciation							
At July 1, 2022	0	23,906,667	0	0	0	0	23,906,667
Charge for the year	0	1,421,314	87,531,849	860,000	6,296,077	690,700	96,799,940
At June 30, 2023	0	25,327,981	87,531,849	860,000	6,296,077	690,700	120,706,607
Net book value at June 30, 2023	290,000,000	45,737,708	609,346,694	3,440,000	12,356,197	4,798,399	965,678,998

Notes To the Financial Statements (Continued)

Land

The company has a property of 703.59 Hectares of Land at Athi River. Out of this a total of 242.89 Hectares has been sold leaving a balance of 460.70 Hectares. The land was on 18th January, 2022 at Kshs 17 billion by SG Shelters Spear properties limited, an independent valuer on open market value basis.

The board has approved for the amount to be adopted in the financial statements under PPE.

Further, NMC has initiated the process of acquiring a title deed from the National Lands Commission.

Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	17,000,000,000	0	17,000,000,000
Buildings	71,065,689	26,749,295	44,316,395
Plant And Machinery	710,049,178	176,710,028	533,339,150
Motor Vehicles, Including Motorcycles	4,300,000	860,000	2,580,000
Computers And Related Equipment	19,663,003	12,929,063	6,733,940
Office Equipment, Furniture, And Fittings	5,489,099	1,381,400	4,107,699
	17,810,566,969	218,629,786	17,614,297,184

Notes to the financial statements (continued)

14. Inventories

Description	2023/2024	2022/2023
	Kshs	Kshs
CNC Engineering stores	22,555,554	95,178,032
Foundry Engineering stores	12,866,663	19,413,225
Stationery and general stores	488,570	590,382
Work-In-Progress	6,668,095	1,774,014
Total	42,578,882	116,955,653

15. Trade and Other Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade Receivables (Note 16 (a))	147,087,872	89,019,671
Deposits and prepayments	21,643,828	23,443,827
Vat recoverable	9,221,261	17,391,464
Staff receivables (Note 16 (c))	4,191,218	3,494,981
Other receivables	14,753,215	34,253,215
Gross Trade and Other Receivables	196,897,393	167,603,158
Provision for Bad and Doubtful Receivable	(67,995,257)	(55,215,962)
Net Trade and Other Receivables	128,902,136	112,387,196

Note: Out of the Kshs 129 million outstanding debt, NMC has requested The National Treasury approval to write off long outstanding debts amounting to Kshs 57 million. This consideration is currently under review.

Notes to the financial statements (continued)

15 (a) Trade Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross Trade Receivables	147,087,872	89,019,671
Provision for Doubtful Receivables	(67,995,257)	(55,215,962)
Net Trade Receivables	79,092,614	33,803,709
At June 30, the aging analysis of gross Trade Receivables		
Less than 30 Days	52,646,047	5,602,531
Between 30 and 60 Days	4,630,767	2,533,334
Between 61 and 90 Days	18,295,209	1,935,206
Between 91 and 120 Days	0	1,798,122
Over 120 Days	71,515,849	77,150,478
Total	147,087,872	89,019,671

15 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
At the beginning of the year	55,215,962	30,546,050
Additional provisions during the year	12,779,295	24,669,912
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	67,995,257	55,215,962

15 (c) Staff Receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross staff loans and advances	4,191,218	3,494,981
Provision for impairment loss	(2,423,726)	(2,423,726)
Net staff loans	1,767,492	1,071,255
Less: Amounts due within one year	(1,767,492)	(1,071,255)
Amounts due after one year	0	0

Notes To The Financial Statements (Continued)**Detailed analysis of the cash and cash equivalents****16. Bank and Cash Balances**

Description	2023/2024	2022/2023
	Kshs	Kshs
Cash at bank	79,572,542	1,490,140
Cash in hand	0	0
Total	79,572,542	1,490,140

Description		2023/2024	2022/2023
Financial institution	Account number	Kshs	Kshs
a) Current Account			
KCB Bank Ltd	1107169453	46,106,199	1,531,920
KCB Bank Ltd	1127662244	33,276,102	-45,984
KCB Bank Ltd	1271475049	190,241	4,504
Total		79,572,542	1,490,140

17. Ordinary Share Capital

Description	2023/2024	2022/2023
	Kshs	Kshs
Authorized:		
75,000,000 ordinary shares of Kshs.10 par value each	750,000,000	750,000,000
Issued and Fully paid:		
75,000,000 ordinary shares of Kshs. par value each	750,000,000	750,000,000

The shares are owned by 2 entities i.e., Kenya Shipyards Limited and Kenya Railways Corporation consisting of 38,250,000 and 36,750,000 shares respectively.

Notes To The Financial Statements (Continued)**18. 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.

19. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

20. 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.

21. Trade and Other Payables

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade payables	46,576,699	118,352,821
Accrued expenses	4,379,000	9,427,776
Retention/ Contract monies	0	0
Deposits suspense account	1,746,528	0
Employee payables	18,111,316	34,050,258
Other payables	1,938,769	53,782,747
Total	72,752,312	215,613,602

Notes to the Financial Statements (Continued)**22. Notes to the Statement of Cash Flows**

Description	2023/2024	2022/2023
	Kshs	Kshs
Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations		
Profit or Loss before tax	912,266	(129,988,809)
Depreciation	98,783,179	96,799,940
Amortization	0	0
Prior Period Adjustment	106,382,747	57,988,041
Operating Profit/(Loss) before Working Capital changes	<u>206,078,192</u>	<u>24,799,172</u>
(Increase)/Decrease in Inventories	74,376,771	(40,989,631)
(Increase)/Decrease in Trade and Other Receivables	(16,514,940)	(22,877,549)
Increase/(Decrease) in Trade and Other Payables	(142,813,276)	44,550,102
Increase/(Decrease) in Retirement Benefit Obligations	0	0
Increase/(Decrease) in Provision for Staff Leave Pay	0	0
Cash Generated from/(used In) operations	121,126,747	5,482,094
(b) Analysis of Cash and Cash equivalents		
Cash At Bank	1,490,140	156,779,424
Cash In Hand	0	0
Balance At End Of The Year	79,572,542	1,490,140

Notes To The Financial Statements (Continued)**23. Related Party Disclosures****Government of Kenya**

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest.

Transactions with related parties

Description	2023/2024	2022/2023
	Kshs	Kshs
a) Sales to related parties		
Sales of electricity to govt agencies	0	0
Rent income from govt. agencies	0	0
Water sales to govt. agencies	0	0
Interest income from govt commercial banks	0	0
Interest income from bills and bonds	0	0
Others (<i>specify</i>)	0	0
Total	0	0
b) Purchases from related parties		
Purchases of electricity from KPLC	0	0
Purchase of water from govt service providers	0	0
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. Agencies	0	0
Bank charges paid to govt commercial banks	0	0
Interest expense to investments by other govt. Entities	0	0
Others (<i>specify</i>)	0	0
Total	0	0
c) Grants from the government		
Grants from national govt	370,250,000	166,122,500
Grants from county government	0	0
Donations in kind	0	0
Total	370,250,000	166,122,500
d) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx	0	0

Description	2023/2024	2022/2023
	Kshs	Kshs
employees		
Payments for goods and services for xxx	0	0
Total	0	0
e) Key management compensation		
Directors' emoluments	0	0
Compensation to key management	0	0
Total	0	0

24. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

Description	2023/2024	2022/2023
	Kshs	Kshs
Amounts authorised and Contracted for	32,220,000	38,000,000
Amounts authorized but Not Contracted for	0	0
Less: Amounts included in Work In Progress	0	0
	32,220,000	38,000,000

25. Contingent Assets and Liabilities

Contingent Liabilities

Description	2023/2024	2022/2023
	Kshs	Kshs
Disputed tax penalties	0	57,282,747
Total	0	57,282,747

Notes To The Financial Statements (Continued)

The company had an outstanding matter of tax payable to Kenya Revenue Authority of Kshs. 31,517,862 being the difference between the self-assessed amount of Kshs. 25,764,885 which had been outstanding for a long time. In their assessment, the Kenya Revenue Authority tax audit had given a total tax payable of Kshs. 57,282,747. The management took advantage of the tax amnesty provided in the Finance Act 2023 as at the 30th June 2024 and resolved the total tax payable of Kshs. 57,282,747. The company was able to settle the balance in full, to benefit from the waiver in accordance with the Finance Act 2023.

Notes To The Financial Statements (Continued)

26. Financial Risk Management

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

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

(i) Credit risk

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

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

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

	did not provide the new title deed for audit.			
2.0	Lack of Asset register: statement of financial position, reflects Kshs.965,678,998 in respect to property, plant, and equipment could not be confirmed that the assets of the company had been properly safeguarded and balance fairly stated.	Valuation of asset done now updating the asset register	Resolved	December 2023
3.0	Trade and Other Payables			
	1) Long Outstanding Payables: Tax liability of Kshs. 53,782,747	Agreed for monthly instalments of Kshs, 500,000	Resolved	30/06/2024
	2) Unsupported Trade Balances: Payables of Kshs 82,183,431	This is reconciliation issue	Resolved	30 th June 2023
	3) Undeclared Trade Payables: Kshs. 17,100,671	This is reconciliation issue	Not-Resolved	30 th June 2024
4.0	Unsupported Trade and Other Receivables: the statement of financial position reflects a balance of Kshs.112,387,196 for trade and other receivables which could not be confirmed	For the uncollectible amount we have applied to the National Treasury for write-off	Not-Resolved	Pending review from National Treasury
5.0	Material Uncertainty in Relation to Going Concern: the management has not explained and provided evidence to show that the company intends to turn into profitability.	The management has introduced new strategies to ensure company returns to profitability	Not-Resolved	30 th June 2024

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from the final external audit report that is signed by Management.
- (iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury



.....
George Makateto

Ag. Managing Director

Date :

Notes to the Financial Statements (Continued)

Description	Total amount Kshs.	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2024				
Trade Receivable	147,087,872	79,092,614	67,995,257	(67,995,257)
Bank balances	79,572,542	79,572,542		
Total	226,660,414	158,665,156	67,995,257	(67,995,257)
At 30 June 2023				
Trade Receivable	89,019,671	10,071,073	78,948,598	(55,215,962)
Bank balances	1,490,140	1,490,140	-	-
Total	90,509,811	11,561,213	78,948,598	(55,215,962)

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

Notes to the Financial Statements (Continued)**ii) Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	
At 30 June 2024				
Trade payables	2,379,526	754,970	43,442,203	46,576,699
Total				
At 30 June 2023				
Trade payables	2,716,688	15,438,443	100,197,690	118,352,821
Total	2,716,688	15,438,443	100,197,690	118,352,821

(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.

Notes To The Financial Statements (Continued)

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.

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 endeavored to bank with institutions that offer favorable interest rates.

1. Appendices

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Investment Property:			
	1. Long Outstanding Debts: Net amount of Kshs. 6,640,310 due from individuals has remained unpaid since 2001.	Applied to the National Treasury for write-off	Not-Resolved	Pending review from National Treasury
	2. Encroachment of Land: the remaining portion of the unsold land measuring 460.70 hectares were not fenced and has been encroached by informal settlers and other parties who have put up permanent structures.	To Fence the land after court cases are resolved and resources availed	Not-Resolved	Waiting for court judgment
	3. Title Deed not updated: A letter from the Ministry of Lands (Feb 2009) indicated that the titles had been subdivided and new Land Reference numbers (LR's) given, however the management	The process of securing the Title deed is ongoing	Not-Resolved	Applied to Ministry of Land waiting issuance of new title deed