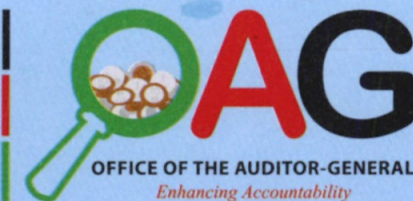


REPUBLIC OF KENYA



# REPORT

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OF

THE AUDITOR-GENERAL

ON

KENYA ORDNANCE FACTORIES  
CORPORATION

FOR THE YEAR ENDED  
30 JUNE, 2025

 THE NATIONAL ASSEMBLY PAPERS LAID			
DATE:	01 APR 2026	DAY:	Wed
TABLED BY:	Hon. Naomi Wago, MP Deputy Majority Whip		
CLERK-AT-TABLE:	Medo Miriam		



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**KENYA ORDNANCE FACTORIES CORPORATION**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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

**Kenya Ordnance Factories Corporation**  
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**1. Acronyms and Glossary of Terms**

Comd	Commander
Comd KA	Commander Kenya Army
Comd KAF	Commander Kenya Air Force
Comd KN	Commander Kenya Navy
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
KA	Kenya Army
KAF	Kenya Air Force
KCB	Kenya Commercial Bank
KDF	Kenya Defence Forces
KN	Kenya Navy
KOFC	Kenya Ordnance Factories Corporation
MD	Managing Director
MoD	Ministry of Defence
NT	National Treasury
PFM	Public Finance Management.
PS	Principal Secretary
PSASB	Public Sector Accounting Standards Board
VCDF	Vice Chief of the Defence Forces
MTP	Medium Term Programme
SAGA	Semi-Autonomous Government Agencies
PC	Performance Contracting
CSR	Corporate Social Responsibility
CBK	Central Bank of Kenya
CSR	Corporate Social Responsibility
CoK	Constitution of Kenya
DNSI	Defence National Security Industries
DFPPF	Defence Food and Processing Production Factory
IMF	International Monetary Fund
UN	United Nation

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**2. Key Entity Information**

**a) Background information**

Kenya Ordnance Factories Corporation (KOFC) was established under the State Corporation Act Cap 446 Laws of Kenya vide KOFC Order, 1997 (Legal Notice No. 522 of the 31<sup>st</sup> October, 1997) with core mandate of manufacturing hardware machinery and equipment. At cabinet level, KOFC is represented by the Cabinet Secretary for Defence, who is responsible for the general policy and strategic direction of the Corporation. The Corporation is domiciled within Eldoret, Uasin Gishu County along Eldoret-Kitale road, and has branches in Thika, Moi Air Base and Gilgil.

KOFC mandate was expanded through KOFC (Amendment) Order, 2020 gazetted on 07 January 2021 to include production of defence artillery; manufacture of apparels; assembling and manufacture of motor vehicles; construction of roads, water pans buildings; and other structures and carrying food processing. KOFC is also a licensed ammunition dealer and water undertaker.

**b) Principal Activities**

The Corporation principle activities are to:

- a. Manufacture military hardware, machinery and equipment.
- b. Produce defense articles.
- c. Manufacture apparels.
- d. Assemble and manufacture motor vehicles.
- e. Construct roads, water pans, buildings and other structures and carry out food processing.

The Corporation can also engage in other activities normally connected with and incidental to the object stated above as the Board may, with approval of the president determine.

**c) Mandate**

The mandate of the Corporation is to:

- a. Manufacture Military Hardware, Machinery and equipment.
- b. Produce defense articles.
- c. Manufacture apparels.
- d. Assemble and manufacture motor vehicles.
- e. Construct roads, water pans, buildings and other structures and carry out food processing.

The Corporation may engage in other activities normally connected with and incidental to the object stated above as the Board may, with approval of the president, determine.

**d) Vision**

The vision of the Corporation is to become a premier manufacturer of world class Military hardware and related products.

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**e) Mission**

The mission of KOFC is to enhance National Security through guaranteed production of quality small arms ammunition and related auxiliary products.

**f) Objectives**

KOFC has established its objectives as follows:

- a. Self-sufficiency in supply of small arms ammunition.
- b. Transfer of relevant technology.
- c. Sale of surplus ammunition to friendly countries.
- d. Create employment in line with Vision 2030.
- e. Enhance Industrialization in line with vision 2030.
- f. Diversification. (Production of dehydrated vegetables, bakery products, Farming, Milling of Maize and purified bottled water).

**g) ISO Certification**

KOFC is ISO 9001-2008 CERTIFIED. The certificates registration number KEBS/QMS/RF/036 Rev. 02 was reissued by the Kenya Bureau of Standards on the 07 June 2016 and expired on 14 September 2018. The ISO training has been concluded and the documentation and certification process is on-going.

**h) Directors**

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

	Director	Position	Date
1	General Charles Kahariri (CDF)	Chairman	Appointed 02 May 24
2	Lt Gen D K C Tarus (Comd KA)	Director	Appointed on 08 Mar 24
3	Maj Gen Fatuma G Ahmed (Comd KAF)	Director	Appointed on 02 May 24
4	Maj Gen Paul O Otieno (Comd KN)	Director	Appointed on 02 May 24
5	Dr Chris Kiptoo (PS NT)	Director	Appointed on 01 Dec 22
6	Mr Patrick Mariru (PS Defence)	Director	Appointed on 01 Dec 22
7	Brig (Rtd) John N Muiruri	Director	Appointed on 25 Feb 22
8	Brig (Rtd) Peter T Ibeere	Director	Appointed on 25 Feb 22
9	Brig (Rtd) Daniel C Bartonjo	Director	Appointed on 24 May 22
10	Maj Gen Gorge Okumu	Managing Director	Appointed on 02 May 24
11	Brig D O Odeny	Corporation Secretary	Appointed on 24 Jan 24

**i) Corporation Secretary**

Brig  
P.O. Box 6634-30100  
ELDORET

**j) Corporate Headquarters**

Kenya Ordnance Factories Corporation (KOFc)  
RTS Ngano Project  
Kitale Eldoret Road  
P. O. Box 6634  
Eldoret

**k) Contacts**

Email: [fm@kofc.co.ke](mailto:fm@kofc.co.ke), [info@kofc.co.ke](mailto:info@kofc.co.ke)  
Website: [www.kofc.co.ke](http://www.kofc.co.ke)  
Tel: +254 722 209639 and +254 773 589 481

**l) Bankers**

Co-operative Bank of Kenya  
Eldoret Branch  
P. O. Box 2948 - 30100  
Eldoret

Kenya Commercial Bank  
Uganda Road Branch  
P. O. Box 5197 - 30100  
Eldoret

Equity Bank of Kenya  
Eldoret Branch  
P.O. Box 2201 - 30100  
Eldoret

National Bank of Kenya  
Eldoret Branch  
P.O. Box 2201 30100  
Eldoret

**m) Independent Auditors**

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

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**n) Principal Legal Advisers**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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**3. The Board of Directors**

**Gen Charles Muriu Kahariri**  
**EGH CBS 'nwc' (USA) 'psc' (K)**  
**Chairman**



General Kahariri is the Chief of the Defence Forces of the Republic of Kenya. Over a distinguished military career spanning more than three decades, General Kahariri has held a wide range of command and staff appointments across the Kenya Navy and Joint Defence institutions. These include Commanding Officer of Kenya Navy Ships *Mamba*, *Madaraka*, and *Umoja*; Commanding Officer at Kenya Navy Base, Manda Bay; Squadron Commander; Commander Kenya Navy Fleet; and Deputy Commander Kenya Navy.

He has also held strategic leadership positions at the National Defence College, where he served as Senior Directing Staff (Navy), Deputy Commandant (Military), and later as the College Commandant.

In operations, General Kahariri commanded the Maritime Component during *Operation Linda Nchi*, and led the Joint Task Force in *Operation Sledge Hammer*, which resulted in the capture of Kismayu from Al-Shabaab on 28 September 2012- an operation that was critical to regional counterterrorism efforts and maritime security. He also served in UN Mission in Liberia both as the Military Assistant (MA) to the Force Commander and as Military Observer (MILOB).

He represented Kenya as the National Focal Person for the Contact Group on Piracy off the Coast of Somalia and the Djibouti Code of Conduct. He also participated in national task force on maritime boundary delimitation, contributing to Kenya's strategic positioning in maritime affairs.

Prior to his appointment as Chief of the Defence Forces, he served as the Vice Chief of the Defence Forces, where he played a central role in coordinating defence strategy, institutional transformation and inter-agency collaboration.

General Kahariri's professional military education includes the International Midshipman Course (UK), Long Navigation Course (India), Naval Command Course (USA), Senior Strategic Leadership Course (UK), Executive Development Course (University of North Carolina, USA), and the Flag Level Combined Maritime Component Command Course (Italy). He holds a Diploma in Strategic and Security Studies from the United States Naval War College.

In recognition of his exemplary service, he has been conferred several honours, notably the Elder of the Order of the Golden Heart (EGH) and the Chief of the Order of the Burning Spear.

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**Lt Gen David K C Tarus**  
**MGH CBS 'ndc' (K) "cgsc" (USA) 'psc' (K)**



Lt Gen Tarus is the Commander of the Kenya Army. He holds a Masters of Military Science (USA), Bachelors of Military Science and Diploma in Strategic Studies in International Relations. He has undertaken several military courses including Grade One Staff College, Senior Command Course, Command General Staff Course from USA Leavenworth and Grade Two Staff Course. He has served in United Nations Peacekeeping Missions in various parts of the world include the United Nations

Mission for the Referendum in Western Sahara (MINURSO) and United Nations and African Mission in Darfur (UNAMID).

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**Maj Gen Fatuma G Ahmed CBS**  
**OGW 'ndc' (K)'psc' (K)**



Maj Gen Fatuma Ahmed is the Commander of the Kenya Air Force. She holds a Bachelor of Art in Sustainable Human Developments and is currently pursuing Master of Arts in Social Transformation, specializing in Organizational Management. She also has a Diploma in Management. She has held various leadership, command and management positions within the Kenya Defence Forces and Ministry of Defence Agencies. In addition, she has also served as a Training Officer with the Integrated Training Service at the United Nations Secretariat in New York from 2005 to 2008. She also served as a Military Observer with the United Nations Peacekeeping Mission in the Democratic Republic of Congo (MONUC) from 2001 to 2002.

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**Maj Gen Paul O Otieno EBS**  
**'ndc' (K) 'psc' (K)**



Maj Gen Paul O Otieno is the Commander Kenya Navy. He holds a Master's Degree in Physics (Electronics) from Kenyatta University. He holds a Diploma and Higher National Diploma in Electrical and Electronic Engineering and a Diploma in Strategic Studies. He has undertaken requisite military training including Regimental Staff Officers' Course, Senior Command and Staff course (2006), Strategic Military Intelligence Course and the Security and Strategic Studies at the National Defence College. He has also undertaken professional training certifications including Advance Research Design and Engendering, Social Science Research and Governance, Diplomacy for Peace and Security and Regional Senior Mission Leaders' Training. Maj Gen Otieno was the founding Managing Director of Kenya Shipyards Limited. He has held various appointments in training, command and staff duties.

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**Dr Patrick Mariru**



Dr. Mariru is the Principal Secretary, MOD. He is an advocate of the High Court of Kenya. He holds a diploma in law, bachelor's degree in law, master's degree in public policy & management and master's degree in divinity. He also holds a PhD in leadership & governance and master's degree in sustainable development. He is a dedicated Public Policy & Management Expert with local, national and international experience of over 15 years in public policy development, community engagement, program development and supporting national government initiatives.



**Dr Chris Kiptoo CBS**

**Dr. Kiptoo is the Principal Secretary at the National Treasury.** He holds a PhD in international macroeconomics, finance specialization, master's degree and bachelor's degree in economics from Egerton University. He has vast experience in economics having served at CBK, IMF and as the economic adviser to the former prime minister.

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**Brig (Rtd) John Muiruri  
'psc' (K), 'ndc' (K), EBS**

Brig (Rtd) John Muiruri is a former Engineer Brigade Commander. He holds a Bachelors of Art degree in Design and a Masters of Arts in International Studies from the University of Nairobi. He has an advance diploma in Civil and Military Engineering from the US Army Engineer School. He is also a registered Ph.D student at the Technical University of Kenya. He served with the UN in former Yugoslavia and also U.S Central Command in Tampa, Florida.

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**Brig (Rtd) P T Ibeere EBS 'ndc' (K) 'dsc' ((K)**

*Brig (rtd) P T Ibeere retired from active military service in October 2012 and is currently engaged in personal businesses. He is a graduate of the National Defence College, Kenya and holds a Diploma in International Studies. He also holds a Bachelor's degree in Mechanical Engineering from the University of Nairobi. While in military service, he held various appointments in command and staff duties.*

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**Brig (Rtd) D C Bartonjo EBS 'ndc' China 'psc'  
Zam**

Brig (Rtd) D C Bartonjo joined KDF in 1981 as a cadet officer and was commissioned on 27 Jul 1982. He served as an infantry officer and holds a diploma in military science from Fort Benning GA USA. He held various appointments in command and staff in the Kenay Defence Forces including Commanding Officer 1KR, Directing Staff DSC Karen Kenya, Commandant School of Infantry, Deputy Brigade Commander 4<sup>th</sup> Brigade and 2<sup>nd</sup> Brigade, Sector Commander AMISOM, Deputy

Commandant Kenya Military Academy and Commandant Defence Forces Memorial Hospital

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**Maj Gen G Okumu**

**EBS, 'ndc' 'psc' (K)**

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Maj Gen G Okumu is the Managing Director of KOFC. He was appointed as the Corporation Managing Director on 02 May 24.

The MD holds Higher National Diploma in Mechanical Engineering, Diploma in International Relations and Diploma in Strategic studies from UON.

Also, he has done Grade 1 staff course, National Security Strategy course, Defence attachee in India Embassy. Has served in the UN Mission Yugoslavia, Sieroleon and Darfur in Sudan.

Has held various appointments in leadership, Command and management positions.

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**Brig D O Odeny**

**'ndc' (Egy) 'psc' (K)**





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Brig D O Odeny is the Chief of Legal Officer at the Directorate of National Security Industries (DNSI) within the Ministry of Defence. He is an advocate of the High Court of Kenya and serves as the Corporation Secretary KOFC. He holds a bachelor's degree in law and is a licensed certified public secretary (CPS).

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**4. Key Management Team**

	<b>Management</b>	<b>Professional/Academic Credentials</b>	<b>Area of responsibility</b>
1.	 Maj Gen Okumu	<ul style="list-style-type: none"> <li>➤ Higher National Diploma in Mechanical Engineering</li> <li>➤ Diploma in Strategic Studies</li> <li>➤ Post graduate Diploma in International Relations.</li> <li>➤ Post graduate Diploma in Strategic studies.</li> <li>➤ Advance Security in the Field Course (UN)</li> <li>➤ National Security and Strategy course</li> </ul>	Managing Director
2.	 Brig D O Odeny	<ul style="list-style-type: none"> <li>➤ Bachelor of Laws (LLB)</li> <li>➤ Diploma in Law (KSL)</li> <li>➤ Certified Public Secretary (K)</li> </ul>	Corporation Secretary
3.	 Col R K Kiptoo	<ul style="list-style-type: none"> <li>➤ Masters of Science in Electrical Engineering Couse System and Design and Technology</li> <li>➤ Bachelor of Electrical and Electronics Engineering</li> <li>➤ Post Graduate Diploma in Strategic Studies</li> </ul>	General Manager
4.	 Mr R K Sawe	<ul style="list-style-type: none"> <li>➤ Bachelor of Business Management-Human Resource Management</li> <li>➤ Higher National Diploma Human Resource</li> <li>➤ Member of IHRM</li> </ul>	Ag Human Resource Manager

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5.	 Capt E O Anekaya	<ul style="list-style-type: none"> <li>➤ Mechanical Engineering</li> <li>➤ Bachelor of science in Mechanical Engineering</li> </ul>	Ag Maintenance Manager
6.	 Maj M Ilao	<ul style="list-style-type: none"> <li>➤ Bachelor's degree in Military Science</li> <li>➤ Diploma in Military Science</li> <li>➤ Certified procurement &amp; Supply chain professional</li> <li>➤ CPA Part I</li> <li>➤ Member of KISM Masters in Defence and Security Management</li> </ul>	Procurement and Stores Manager
7.	 Lt Col R Muthoka	<ul style="list-style-type: none"> <li>➤ Degree in Military Science</li> <li>➤ Diploma in Military Science</li> <li>➤ Diploma in Automotive Engineering</li> </ul>	Plant Manager Gilgil Factory
8.	 Eng Leo K Kerich	<ul style="list-style-type: none"> <li>➤ Masters in Chemicals Engineering (ongoing)</li> <li>➤ Master's in Business Administration</li> <li>➤ Degree in Chemical and Process Engineering</li> </ul>	Production and Quality Assurance Manager
9.	 Lt Adan Yussuf	<ul style="list-style-type: none"> <li>➤ Bachelor of economics</li> <li>➤ Officers basic supply course</li> </ul>	Ag Commercial Services Manager

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10.	 CPA J Juma	<ul style="list-style-type: none"> <li>➤ Master's in Business Administration (MBA)-Finance Option – (ongoing)</li> <li>➤ Bachelor's Degree (Accounts option)</li> <li>➤ Certified Public Accountant (K)</li> <li>➤ Certified Management Accountant</li> </ul>	Ag Finance Manager
11.	 Maj S M Ndichu	<ul style="list-style-type: none"> <li>➤ Bachelor of Science Mechatronics Engineering</li> <li>➤ Diploma in Business Administration</li> </ul>	Plant Manager Water Bottling Plant

### 5. Fiduciary Management

The key Management personnel who held office during financial year ended 30 June 25 and who had direct responsibility were;

No.	Designation	Name
1.	MD	Maj Gen G O Kumu
2.	Head of Corporate Services	Brig D O Odeny
3.	Head of Finance	CPA Juma Judith
4.	Head of Procurement	Maj M Ilao

### 6. Fiduciary Oversight Arrangements

The corporation has established the following mechanisms to provide fiduciary oversight over its operations and management of financial resources:

**a. Board.** The Board of Directors provides strategic direction over the affairs of the company and undertakes oversight on the operations and business of the Corporation. The Board has established four committees to support the discharge of its functions:

(1) **Audit and Risk Committee.** Responsible for overseeing compliance and risk management. It also receives and considers the reports of the external and Internal Auditor and ensures management compliance with audit observations.

(2) **Finance and General-Purpose Committee.** The Committee is responsible for oversight of management of financial resources and considers financial statements prior to Board approval.

(3) **Strategy Committee.** The Committee oversees the operations and projects undertaken by the Company on behalf of the Board. It oversees core mandate delivery on behalf of the Board.

**b. Internal and External Audit.** The corporation has an internal audit function that undertakes regular audit into the affairs of the Corporation in accordance with the approved workplan. External Audit is undertaken by the Office of the Auditor General in accordance with Article 229 of the Constitution of Kenya 2010.

**c. Parliamentary Oversight.** The Corporation is subject to oversight by the National Assembly through the Defence Intelligence and Foreign Relations Committee and the Public Investments Committee.

**Kenya Ordnance Factories Corporation**  
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**7. Chairman's Statement**

I have great pleasure in presenting the Annual Report and Accounts for the Kenya Ordnance Factories Corporation (KOFC) for the financial year 2024/2025. KOFC core mandate is to produce ammunition from basic raw materials for self-sufficiency and reliance. KOFC plays a vital/strategic role in being a guaranteed supplier of ammunition and food to the Kenya Defence Forces and other national Security Organs/Agencies.

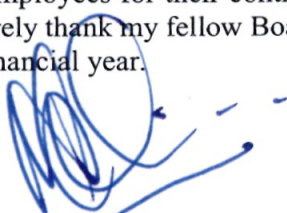
During the period under review, KOFC was able to meet some of our customer requirements in terms of ammunition and food support. The shortfall in the supply of ammunition was attributed to low volume production due to aged machines characterized by frequent breakdowns, lack of spares due to obsolete technology and long lead time in acquisition of raw materials from overseas suppliers. However, now the challenges are being addressed through acquisition of new lines and refurbishment of the existing ammo line.

The Board of Directors continues to provide strategic and effective leadership in steering KOFC towards achieving its objectives. The Committee system of the Board of Directors has been able to provide timely and effective guidance and oversight to the management.

The National Government through the Ministry of Defence has committed to acquire new lines for the Corporation. It is expected that the new lines will increase efficiency while also increasing production volumes thus permitting expansion of customer base.

The Corporation will continue to leverage the strength and breadth of its portfolio to deliver sustainable return to the National Government. The implementation of the business model and strategies identified in the Strategic Plan will ensure resilience and sustainability of the business in the medium to long term.

On behalf of the Board of Directors, I wish to recognize the Corporation's customers and other business partners for the support granted in the financial year under review. The Corporation looks forward to your continued support. The Board of Directors also thanks the Management and employees for their continued dedication to serve in the Corporation. I would also like to sincerely thank my fellow Board members for their counsel, support and dedication throughout the financial year.



**GENERAL CHARLES M KAHARIRI EGH CBS 'nwc' (USA) 'psc' (K)**  
Chairman, Board of Directors

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June**

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**8. Report of the Managing Director**

KOFC is a strategic installation that plays a key role in enhancing National Security and contributes to the achievement of the National Government's Bottom-Up Economic Transformation

In the period under review, the Corporation operated production centres at Eldoret, Nairobi, Thika and Gilgil. The Corporation is cognizant of and appreciates efforts provided by the National Government to address ammunition production challenges through acquisition and installation of new production lines.

The Defence Food Processing and Production Factory (DFPPF) since its commissioning in October 2018 has continued to improve its terms of performance despite having challenges in terms of operations. However, the challenges are being addressed through the expansion of nuclear farms and procurement of Raw materials through framework contracts.

Despite the production challenges, the Corporation continued to discharge its mandate to manufacture small arms ammunitions, machinery and equipment and food processing.

The KOFC is in its second year in terms of implementation of the Strategic Plan running from FY 2023/24 – FY 2027/28. Despite cashflow challenges the Corporation is committed to the implementation of the Strategic Plan.

In conclusion, I wish to sincerely thank the Corporation's stakeholders for the support granted in the Financial Year 2024/2025. I also wish to thank the Board of Directors for their uttermost support and guidance during the year.



**Major General G O Okumu EBS 'ndc' 'psc' (K)**  
Managing Director

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June**

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**9. Statement of Performance against Predetermined Objectives for FY 2024/2025**

The Corporation has 5 strategic issues and key result areas within the current Strategic Plan for the FY2024/25- FY 2027/28. These strategic issues are as follows:

- i. Diminishing Production Capacity in Small Arms Ammunition, General Engineering and Enhancing Food Production and Processing.
- ii. Non fulfilment of customer orders and variety.
- iii. Limited Funding for development projects.
- iv. High Cost of Production.
- v. Retention of experienced and skilled Technical Personnel.

The Corporation develops its annual work plans based on the above five Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Corporation achieved its performance targets set for the FY 2024/25 period for its 5 strategic issues, as indicated in the diagram below

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**Statement of Performance against Predetermined objectives for FY 2024/2025 (continuation)**

Ser	Strategy	Key Activities	FY 24/25		Remarks
			Target	Status	
<p><b>Strategic Issue:</b> Diminishing Production Capacity in Small Arms Ammunition, General Engineering and Enhancing Food Production and Processing.  <b>KRA 1:</b> Ammunition, General Engineering, Food production and Processing  <b>Strategic Objective 1:</b> To enhance production capacity to meet customer needs</p>					
1	Rehabilitation of existing ammo production lines	Rehabilitating NATO lines for <b>5.56x45mm</b> and <b>9x19mm</b> ball with conversion kits for <b>9x19mm</b> blanks	To initiate rehabilitation of selected machines	Not achieved	<ul style="list-style-type: none"> <li>• MAKİNE ve KİMYA ENDÜSTRİSİ (MKE) assessment report received</li> <li>• Awaiting New Lachaussee' Ltd (Belgium) assessment report</li> </ul>
2	Acquisition of two new ammo production lines	Acquisition and installation of <b>7.62x39mm</b> and <b>7.62x51mm</b> lines	Commissioning of the new ammo production lines	Not Achieved	<ul style="list-style-type: none"> <li>• 20% advance payment paid to M/s Atesci.</li> <li>• Awaiting M/s Atesci to install the new ammo production lines</li> </ul>
		Construction of infrastructure for new lines	Complete construction of Infrastructure to house the new lines	Not Achieved	<ul style="list-style-type: none"> <li>• Awaiting M/s Atesci to avail the design</li> </ul>
3	Acquire machines and equipment for completion of DFPPF and TWBP	Acquiring and installing Meals Ready to Eat (MRE) and fruit processing lines	Sourcing of funds from GoK	Not Achieved	<ul style="list-style-type: none"> <li>• Planned to be implemented in FY 26/27</li> <li>• Türkiye Defence Industry Cooperation engaged and their report awaited</li> </ul>
		Modernizing and expanding KOFC farm	Utilization of grants	Not Achieved	Procurement process for a tractor initiated

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		Modernizing and expanding DFPPF Nucleus farm	Drilling of necessary boreholes	Not Achieved	HQ CBT ENGR BDE engaged to drill a borehole at DFPPF
		Modernizing and expanding TWBP	Commissioning	Not Achieved	Financial constraints
<b>Strategic Objective 2: To supplement deficit in Ammo Production</b>					
4	Importation of deficit ammo in the short term to bridge the gap between production and demand	Importation of ammunition	Import Qty <b>35M</b> rounds of ammo	Not Achieved	The Corporation intends to explore joint venture/partnership.
<b>Strategic Objective 3: To increase market penetration and share</b>					
5	Review and implement marketing strategy	Reviewing marketing strategy	Marketing strategy reviewed and operationalized	Not Achieved	Sales and Marketing Policy has been developed awaiting approval by the BoD
		Participate in two (2) trade fairs and Exhibitions	Trade fairs and exhibition attended	Achieved	<ul style="list-style-type: none"> <li>• Nairobi International Trade Fair</li> <li>• International Security Conference on Africa Exhibition in Kigali, Rwanda.</li> <li>• Ethiopia Equipment Sampling in Ethiopia</li> <li>• KDF day 2024</li> </ul>
		Carry out two (2) digital advertisements for food products	KOFC food products advertised	Not Achieved	Financial constraints
<b>Strategic Objective 4: To increase Production Efficiency</b>					

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6	Acquire relevant technology	Acquire new technologies for production	Acquire new technologies during installation of new line	Not Achieved	To be achieved during installation of new lines, however, relevant technologies are being leveraged by the KOFC technical team
7	Training of machine operators and staff on latest technologies	Train 100 technical staff on latest technologies in relevant fields	Train 100 technical staff	Not Achieved	The planned training is to be undertaken during planned installation of new lines.
<b>Strategic Issue:</b> Non fulfillment of customer orders and variety <b>KRA 2:</b> Product Diversification and Innovation <b>Strategic Objective 1:</b> To increase product range					
8	Production of additional Products (SCAR rifle assembly and repair line)	Acquisition of SCAR rifle assembly & repair line	Install SCAR rifle assembly and repair line	Not Achieved	Implementation period changed from FY 24/25 to FY 27/28
9	Establish and Operationalize Research and Development Department	Establish and Operationalize Research and Development Department	Establish and Operationalize Research and Development Department	Achieved	Research and Development officer posted in.
10	Diversification of food products	Introduction of variety of food products	Introduce MREs, Fruits processing and Biscuits	Not Achieved	Financial constraints
<b>Strategic Issue:</b> Limited Funding for development projects <b>KRA 3:</b> Revenue Generation <b>Strategic Objective 1:</b> To achieve a healthy financial base capable of funding own operations					
11	Acquisition of favorable credit facilities	Acquiring new credit lines	Acquire credit lines with local commercial banks	Not achieved	The NT declined the request and proposes review KOFC's business principles and mandate to make it a non-profit organization

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12	Develop and implement debt recovery strategy	Developing debt recovery strategy	Constitute Debt Recovery Committee	Achieved	Debt Recovery Committee Constituted
13	Institute advance payment arrangements	Contracts to include advance payments	Implement advance payment for annual contracts	Not achieved	Most customers declined the advanced payment arrangement.
<b>Strategic Issue:</b> High Cost of Production <b>KRA 4:</b> Operational Efficiency <b>Strategic Objective 1:</b> To Reduce Cost of production					
14	Adopt business process re-engineering	Redesigning production processes	Connect the compressor at building adjacent MRS to the main compressor to be used as a spare. This will assist in eliminating the downtimes associated with compressor failures	Achieved	Connection implemented successfully
<b>Strategic Objective 2:</b> To improve on Asset Management and Security					
15	Regular updates of asset registers	Regular updating of asset registers	Develop asset register	Achieved	Asset register up to date
16	Regular repair and maintenance of assets	Carry out regular repair and maintenance of assets	Preventive maintenance schedule prepared	Achieved	Preventive maintenance schedule.
<b>Strategic Issue:</b> Retention of experienced and skilled Technical Personnel <b>KRA 5:</b> Strengthening of Institutional Capacity <b>Strategic Objective 1:</b> To Enhance human resource capacity, performance and retention					

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17	Human resource development	Training of personnel	Train 20 personnel based on training gap needs	Achieved	44 Staff trained on Performance Contracting
18	Review of HR instruments	Reviewing of HR instruments	Review 4 HR instruments	Achieved	SRC conducting job evaluation
19	Establish and Operationalize Strategy, Policy and Planning (SP&P) Dept	Establishing and operationalizing SP&P Dept	Establish SP&P Dept.	Achieved	<ul style="list-style-type: none"> <li>• Included in the proposed structure approved by the PSC</li> <li>• SP&amp;P officer posted in</li> </ul>
<b>Strategic Objective 2: To Enhance Information, Communication and Technology</b>					
20	Enhance Information Security	Setting up Backups and Recoveries of data	Deployment onsite and offsite Back-ups	Not Achieved	<ul style="list-style-type: none"> <li>• Liaison with National Security and Telecommunications Service (NSTS) for Wide Area Network (WAN) ongoing.</li> <li>• Liaison with Moran Center for offsite Backups ongoing.</li> </ul>
		Installation of firewalls	Procurement of 1x Firewall & Network Security Monitoring tools for KOFC HQ	Not Achieved	<ul style="list-style-type: none"> <li>• KOFC HQ Network Security and Monitoring requirements generated and approved.</li> <li>• Not implemented due to budgetary constraints</li> </ul>
<b>Strategic Objective 3: To Strengthen Linkages between Planning, Budgeting, Monitoring and Evaluation</b>					
21	Develop and Implement M&E Framework	Prepare and Disseminate Monitoring and Evaluation Reports	Monitoring and Evaluation reports prepared and disseminated	Achieved	<ul style="list-style-type: none"> <li>• Quarterly and Annual production reports</li> <li>• Quarterly PC Reports</li> </ul>

## **10. Corporate Governance Statement**

The Kenya Ordnance Factories Corporation Board of Directors embrace principles of good corporate governance in steering the Corporation to effectively achieve its mandate for sustainable growth in Government and its stakeholder's expectations. As a Semi-Autonomous Government Agency (SAGA) under the Ministry of Defence, the Corporation remains steadfast in complying with statutory and regulatory requirements as outlined in the Constitution and the State Corporations Act Governance and other applicable regulations.

Besides complying with the Code, the Board has committed to embed internal rules of engagement to support corporate governance. These internal guidelines are constituted in the Code of Conduct and Ethics to which every Director and employee attest their adherence.

### **Board of Directors**

The Board is collectively responsible for the overall direction of the Corporation with oversight and review of the management, administration and overall governance. The Board exercises its oversight role by setting appropriate business strategy and overseeing delivery against the set objectives. The Board currently consists of nine (9) directors, one (1) Managing Director and including the Chairman, of whom three (3) are independent directors. Committee guided by the Board Appointment Guidelines duly approved by the Board. The Chief Executive Officer is by appointments by the Defence Council and their terms are dictated by Mwongozo code.

### **Board Operations**

The Board has in place an annual work plan that sets out the Board's activities for the year. This enables the Board to have a detailed review of the Corporation's operations and strategy, approve business plans, budgets and financial reports. The Managing Director, sets the agenda for each meeting. The Board receives all information relevant to the discharge of its obligations in accurate and timely manner enabling it to maintain effective control over strategic, financial, operational and compliance issues. As provided in the Board Charter, the Board is entitled to seek independent professional advice at the Corporation's expense on any matter connected with the discharge of its responsibilities.

### **Board Charter**

The Board has adopted a Board Charter that provides a framework for the effective operation of the Board, which sets out the: Board's roles, composition and responsibilities; Relationship and interaction between the Board and Management; and Authority delegated by the Board to Management and Committees.

### **Board of Directors Responsibilities**

The Board is responsible for ensuring that the business is financially viable and properly managed so as to protect and enhance the Corporation's interest over time. To achieve continued prosperity for the Corporation, the Board exercises leadership, enterprise, integrity and good judgement and shall always act in the best interest of the Corporation. The following are the roles and responsibilities of the Board:

- a. Provide effective leadership and collaborate with the Management in articulating the institution's values, vision, mission and strategies and developing the strategic plan and ordering strategic priorities of the Corporation that are sustainable.

- b. Develop an organizational structure to support the achievement of strategic objectives; monitor the operational performance and establish policies and processes that ensure the integrity of the Corporation internal controls and risk management.
- c. Review and approve the business plans and annual budget proposed by the Executive Management and evaluate the outcomes thereof.
- d. Establish such Committees, Policies and Procedures that will facilitate effective discharge of the Board's fiduciary and leadership functions.
- e. Establish and oversee the Corporation corporate governance framework that promotes standards of ethical behavior.
- f. Ensure the Corporation's compliance with all applicable laws, regulations, governance codes, guidelines and regulations and establish systems to effectively monitor and control compliance across the Corporation.
- g. Ensure that systems and procedures are in place for the Corporation to run effectively and efficiently.
- h. Establish appropriate staffing and remuneration policies for all employees. Act in the best interest of the Corporation and its business taking into consideration the interest of the stakeholders.
- i. Ensure that the Corporation is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the Corporation, but also the impact the business operations have on the environment and the society within which it operates.

#### Board Meetings

The Board has a schedule of its meetings and the agenda for each Board meeting is prepared and circulated to members at least seven (7) days in advance. Board meetings are held every quarter and in exceptional circumstances as dictated by requirements of its operations.

#### Board Skills and Diversity

The Corporation seeks to have a Board that has a diverse mix of individuals with relevant attributes, skills, knowledge and experience. The Board has the appropriate mix of skills, knowledge and experience to deal with current and emerging issues and effectively guide the management in attainment of its strategic objectives.

The Board promotes diversity and encourages initiatives to improve gender parity in management.

#### Board Induction and Development

All newly engaged Directors receive a comprehensive induction programme to acquaint them with their responsibilities as well as keep them abreast of the Corporation's strategy and operations. The induction program consists of detailed presentations and briefings from the Executive Management and the Company Secretary on Corporation operations.

The Board members are required to undergo regular training and bench marking to enable them to discharge their responsibilities effectively. Members receive regular briefings from the

executive management on developments in the media industry, both locally and globally. The Board is also apprised of regulatory changes that directly impact on the operations of the Corporation.

#### Board Evaluation

In line with the provisions of the Mwongozo Code, the Board reviews its performance and that of its committees, and the Directors, the Chairman and Company Secretary, on an annual basis. The evaluation is conducted by each Director completing a Board Evaluation Form which is designed to obtain feedback on the Board's performance in key thematic areas. The Evaluation also seeks to identify development opportunities and areas of improvement. Results are collated confidentially by the Company Secretary and reviewed by the Chairman. The evaluation ensures that the Board continues to be effective.

#### Board Independence and Conflicts of Interest

The Board comprises of seven (9) non-executive directors, of whom three (3) are independent. The Board of Directors are free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the directors' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Corporation. The directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to the directors' attention, whether direct or indirect. All business transactions with all parties, directors or their related parties are carried out at arm's length. Directors are required to give advance notice of any conflict issues to the Chairman or Company Secretary. The Board maintains a Conflict of Interest register and this is tabled as the first agenda item of all Board meetings. Directors are excluded from the quorum and vote in respect of any matters in which they have an Interest.

**11. Management Discussion and Analysis**

**(a) Core Mandate of the Corporation**

Despite the many challenges integral in this operating environment, the Corporation continued to discharge its mandate to manufacture Military Hardware, Machinery and Equipment and engaging in other activities normally connected with the incidental to the said object.

**(b) Operation**

Ammunition Production lines were installed and commissioned in 1996 and projected to produce 20 million rounds in a single shift which translated to a production output of quantity 16 million at 80% efficiency. Ammunition production machines have been characterized by frequent breakdowns caused by old age and obsolescence which hampered prompt repairs. vindicating measures have been put in place towards addressing the above challenges. In FY 2025/2026 KOFC was allocated a budget for the refurbishment and rehabilitation of the existing ammo line, these is envisaged to increase production in the short run. Additionally, plans are in place to acquire new lines through the parent Ministry.

Over the last five years, production has been decreasing as customer’s demand increases. The table below illustrates how the production has been going down over a period of time.

<b>Ser</b>	<b>Period (Years)</b>	<b>Production (Qty Rounds)</b>
1	2024/25	3,712,700
2	2023/24	7,500,100
3	2022/23	8,516,200
4	2021/22	8,510,400
5	2020/21	11,011,600

**(c) Financial Performance**

KOFC continues to undertake its financial obligation though with cash flow challenges. However, its overall financial performance to date is nonetheless still weighed down by challenges related to low sales for ammunition caused by diminished production. Additionally, procurement of raw materials on time did impact the production process.

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Food Processing Factory financial status is fairly weak but its activities have been streamlined. Tabulated below is the Corporation Financial Performance for the past five years' period:

	Years (Audited)			
2024/2025	2023/2024	2022/2023	2021/2022	2020/2021
50,973,306	(167,299,296)	122,248,511	172,241,730	132,778,633
Profit	Loss	Profit	Profit	Profit

**(d) Revenue**

Revenue generated over the past five years is as tabulated below:

FY	2024/2025	2023/2024	2022/2023	2021/2022	2020/2021
Ammo	399,857,624	683,059,847	675,686,976	604,021,182	695,835,135
Farm & Milling	240,303,693	89,450,688	209,138,946	148,383,807	77,839,634
Others	315,483,731	323,237,970	259,736,098	393,895,303	260,456,244

**Ksh.962,476,020.00** was generated from operation during the year (FY 2024/2025) against a set target of **Ksh.1,921,938,968.69** leading to a deficit of **Ksh.959,462,949** as detailed below:

Description	Budget	Actual	Surplus/(Deficit)
	Kshs	Kshs	Kshs
<b>Revenue</b>			
Ammunition Sales	1,252,234,199	399,857,624	(852,376,575)
Bakery Sales	166,288,780	135,575,573	(30,713,207)
Farm and Milling Sales	253,083,500	240,303,693	(12,779,807)
KDF Bottled Water	117,263,489.5	88,934,429	(28,329,061)
General Engineering Products	2,638,434	437,831	(2,200,603)
Piped Water	11,484,500	9,183,769	(2,300,731)
Interest Income	5,000,000	6,830,972	1,830,972
General Stores sales	574,688.5	289,104	(20,105)
Dried Vegetables Revenue	113,371,377.69	81,063,025	(93,427,560)
<b>Total Revenue</b>	<b>1,921,938,968.69</b>	<b>962,476,020</b>	<b>(959,462,949)</b>

**(e) Staff Welfare and Administrative Activities**

The administration activities involve the provision of a conducive and enabling environment for working.

**(f) Major Risks Facing the Corporation**

- 1) Technology changes.
- 2) Non availability of raw materials and Long Lead Time.
- 3) Mindset on locally produced goods.
- 4) Erratic Weather (Climate Change).

**(g) Performance Contract Implementation Financial Year 2024/2025**

The purpose of the Performance Contracts (PC) is to provide an objective assessment of results realized and challenges experienced by the Corporation that impair performance. The objectives of the Performance Contract (PC) were drawn from the Kenya Ordnance Factories Corporation Strategic Plan and anchored on the Kenya Vision 2030, the Medium-Term Plan (MTP II) and the Sector Performance Standards (SPS). The Corporation's PC FY 2024/2025 was negotiated with the Ministry of Defence, Board of Directors and the Managing Director cascaded it to all departments for implementation.

**(h) Capital Projects**

Ammunition Production installed capacity lines were commissioned way back in mid-80's and projected to produce 20 million rounds in a single shift which translated to a production output of quantity 16 million at 80% efficiency. Ammunition Production Machines have been characterized by frequent breakdowns caused by old age and obsolescence which hampered prompt repairs. Mitigating measures towards addressing these challenges are in place. These include establishment of modern ammunition production lines with high capacities which 20% advance payment has been paid and Replacement or rehabilitation of existing line of which an allocation for the 1<sup>st</sup> phase was allocated in FY 25/26 Budget. The strategies in place will in the long run restore KOFC to financial stability and prosperity.

In order to enhance food production and minimize outsourcing of farm services, the Corporation has continued to invest in farm machinery and equipment.

**(i) KOFC Compliance with Statutory Requirements**

The Corporation complied with all mandatory statutory requirements from remittance of statutory deductions within the set time line to holding of Board meetings.

**(j) Material arrears in statutory and other financial obligations**

As at the close of the financial year, the Corporation did not have any material statutory arrears.

## **12. Environmental and Sustainability Reporting**

### **i) Sustainability Strategy and Profile**

The re-organization of KOFC operations is aimed at re-aligning its strategic plan to meet its expanded mandate as set out in Legal Notice No. 2 (Amendment Order) of 19<sup>th</sup> December 2020 and the National Security Industrialization Policy Implementation Strategy. The revised Legal Notice mandates the Corporation to manufacture hardware machinery and equipment, produce defence articles, manufacture apparels, assemble and manufacture motor vehicles, construct roads, water pans, buildings and other structures and carry out Food Processing. Towards this end, revision of Strategic Plan, development of Implementation Matrix and determination of resource requirements is clearly set out.

The proposed implementation in the short term aims at increasing ammunition production capacity to meet the National security requirement and attain new capability and flexibility to meet the emerging requirements due to change of weapon choice. Critical also is the need to complete Phase II and III of Food Processing Factory in-order to supply packaged MREs as required within the stipulated timelines. This will in-turn be a milestone towards achieving self-reliance in defence combat supplies to KDF and other Security Agencies, both nationally and in the entire region as enshrined in East Africa Working Group (EAWG) on cooperation on shared resources. The outcome of such targeted investments will be a secure nation and a self-reliant defence. The key beneficiaries of this project are the Citizens of Kenya, Security Agencies and the Region at large.

### **ii) Environment Performance**

During the year under review the Corporation planted quantity 27,500 assorted seedlings covering 15 acres of the total 260 acres covering assorted trees.

The efforts have faced many challenges mostly attributed to climate change and acceptability by the neighboring communities who tend to uproot most of the seedlings planted. However, the Corporation has continued to engage the locals in the tree planting activities to improve on their acceptability to the activities.

The Corporation's Waste Management Policy deals with issues relating to waste on land, defining all aspects of waste management through industrial processing activities aimed at producing useful and safe products through; reducing, reusing, recycling, or composting waste; by doing this, it will increase the value of waste over time to the Kenyan economy.

Waste is a resource that can be managed to achieve economic, social and environmental benefits. Addressing the waste management challenge effectively at KOFC is critical to delivering on Kenya's constitutional right to a clean and healthy environment for all, advancing the circular economy to create green jobs and wealth from the waste sector, and advancing the nation's sustainable development goals.

**Types of Solid Waste Management at KOFC**

- 1) Hazardous wastes.
- 2) Industrial wastes.
- 3) Bio-medical wastes.

**Environmental benefits of proper waste management:**

- 1) Proper waste removal helps improve air and water quality as well as reduces greenhouse gas emissions.
- 2) It helps in minimizing the extraction of resources along with reducing pollution and energy consumption which is associated with manufacturing new materials.
- 3) Promotes health and sanitation.
- 4) Reduces pest infestation.
- 5) Protects you from biohazards.
- 6) Improves community health.
- 7) Protects the environment.
- 8) Ensures physical safety.
- 9) Adds to waste energy.
- 10) Earns money.

Sustainable waste management is also fundamental to delivery of each of the government's "Big Four" national priorities. The main advantage of sustainable waste management is to lessen the impact on the environment, by improving air and water quality and contributing to the reduction of greenhouse gas emissions. Besides, reducing food waste also helps reduce the heavy environmental cost of producing more.

**Most sustainable waste management;**

Recycling saves energy, helps keep materials out of landfills and incinerators, and provides raw materials for the production of new products. When waste cannot be prevented, recycling is the next best option. Recycling is more than extending the life of landfills.

**iii) Employee Welfare:**

**KOFC Hiring Process and Equity**

The Corporation is fully aware that its efficiency depends on the quality of employees engaged. As stipulated under KOFC Staff Terms and Conditions of Service Manual, it is the Corporation's policy to attract and recruit candidates qualified in terms of academic, have the required experience/skills or who can be trained for effective work performance to achieve the Corporation's objectives.

KOFC is an equal opportunity employer and the recruitment process does not discriminate on the basis of gender, age, race, and ethnicity or entertain any other form of discrimination. KOFC fully ensures compliance with the provisions of article 232 (h) and (i) of the COK, 2010.

All appointments are made with the approval of the Managing Director or Board of Directors as the case may be, and within the approved Staff Establishment

KOFC specific policies guideline in the hiring process are as follows:

- a. The Corporation will strive to recruit and select the best-qualified candidates to support its vision and mission.
- b. Equal opportunities shall be provided for all persons throughout the Corporation in recruitment, appointment, promotion, payment, training, and other employment practices without discrimination against people based on race ethnic, gender, disability, national origin, color, religion, marital status, or political affiliation.
- c. Employees shall be correctly placed on the occupations that match their skills and abilities while taking cognizance of special needs.
- d. Recruitment of Employees shall be done as per the recruitment policy and procedures for all cadres of staff. Equity shall be exercised at all times.
- e. The recruitment and selection process should not take more than six (6) months.
- f. Appointments in all cases are made in accordance with the existing Job Descriptions and specifications for various cadres of staff in their respective fields of employment.

#### **Stakeholder engagements**

In the hiring process, the Corporation ensures stakeholder engagement through media advertisement of vacant positions and selection to employment.

#### **Skills Improvement and Career Management**

The Corporation recognizes the need for training and development of all its employees. The Corporation therefore offers training opportunities to all deserving staff in order to equip them with the necessary skills to improve performance and career progression.

Training and skill improvement programs are geared towards addressing identified staff performance gaps and ensure continued supply of relevant knowledge and skills to the Corporation.

Training Needs Assessment (TNA) is conducted on annual basis to determine if a training need exists and to identify the specific training required to fill the gap. The training requirements and programmes are factored in the annual budget.

Staff Performance Appraisal is a critical component of the human resource management function in the Corporation. The overall objective of the appraisal system is to manage and improve performance by enabling a higher level of staff participation and involvement in planning, delivery and evaluation of work performance.

The Staff Performance Appraisal is an annual exercise in the Corporation and assists the management in making critical decision on staff reward, promotion, deployment and training.

### **Safety and Compliance with Occupational Safety and Health Act 2007**

Kenya Ordnance Factories Corporation (KOFC) is committed to the goal of providing and maintaining a healthy and safe working environment, with a view to continuous improvement. This goal is only achievable by adherence to established objectives striving to exceed all obligations under applicable legislation, and by fostering an enthusiastic commitment to health, safety and the environment within KOFC personnel, contractors and visitors. In particular:

- a. Management, working in cooperation with the Health and Safety Committee, will strive to take all reasonable steps to reduce workplace hazards to as low as reasonably achievable.
- b. Supervisors and managers are held accountable for the health and safety of all employees under their supervision. This includes responsibility for applicable training and instruction, appropriate follow-up on reported health and safety concerns, and implementation of recommended corrective action. This accountability is integrated into the performance appraisal system.
- c. Supervisors, workers and visitors are expected to perform their duties and responsibilities in a safe and healthy manner, and are accountable for the health and safety of themselves and others.
- d. KOFC is committed to providing all necessary training and instruction to ensure that appropriate work practices are followed on the job, and to promote their use off the job.
- e. If necessary, KOFC will take disciplinary action where individuals fail to work in a healthy and safe manner, or do not comply with applicable legislation or corporate policies and procedures. Health, safety, the environment and loss control in the workplace are everyone's responsibility.

KOFC expects that everyone will join in our efforts to provide a healthy and safe working environment on a continuous day to day basis. Only through the dedication and efforts of all individuals can KOFC succeed in providing a healthy and safe working environment.

**iv) Market Place Practice**

**a. Responsible Competition Practice**

Kenya Ordnance Factories Corporation (KOFC) has put efforts towards the following in their day to day running of business:

- i. Anti-corruption Policy: KOFC ensures that it systematically and comprehensively rewards for more responsible practices in business and penalizes for the converse.
- ii. Political involvement: KOFC beings a security installation and does not involve itself to politics; it serves the government of the day.
- iii. Fair competition and respect for competitors: KOFC has time and again maintained responsible ethics with their competitors by achieving competitive advantages through superior performance and not through unethical or illegal business practices. It insists on transparency other than making improper agreements with or colluding with competitors. To ensure that it has the competitive edge, it capitalizes on supply of quality products, timely delivery and keeping customer focus as the driving power.

**b. Responsible Supply Chain and Supplier Relations**

Kenya Ordnance Factories Corporation Procurement Department processes are fair, equitable, transparent, competitive and cost- effective. It starts with budgeting and ends when the supplier is paid. The procurement processes are governed by Public Procurement and Asset Disposal Act, 2015 and Public Procurement and Asset Disposal Regulation 2020. The stages are:

- i. Budgeting.
- ii. Purchase Plan.
- iii. Identification of need, Specifications and Requisition.
- iv. Requisition Authorization.
- v. Sourcing.
- vi. Tender Opening.
- vii. Tender Evaluation.
- viii. Contract Award.
- ix. Receipt and Acceptance, Quality Control, Recording and Storage.
- x. Payment of Suppliers.

To build a cordial supplier relationship, the department has;

- (a) Effective Communication Channels - The department has effective communication channels where suppliers can be engaged to air out their concerns and feedback given promptly e.g. Office Emails and Telephone.
- (b) Respect – The department demonstrate integrity and appreciate them for the value-add they provide to the organization. This helps to build trust and with that trust comes endless possibilities to increase performance through innovation and problem solving.
- (c) Openness and fairness in procurement processes. This includes sharing information including tender results. Suppliers are notified on the tender results immediately the tendering process is finalized and demonstrate willingness to work together to achieve the objectives of the agreement.
- (d) Payments are done on first come first paid basis.

**c. Responsible Marketing and Advertisement**

KOFC has been practicing transparency, avoid false comparison, protection of consumer data and privacy, committing to sustainability and human rights, maximizing benefits and minimizing risks, no exaggeration of product attributes or price, responding meaningfully to consumer concerns, avoiding false unverified claims and being diligent in enforcing policies to maintain ethical marketing practices.

**d. Product Stewardship**

KOFC have put the following measures to safeguard consumer rights and interests:

- i. Right to safety: The Corporation ensures that the products sold to customers are of high quality and meet up the set standards.
- ii. Right to choose: KOFC encourages its clients to be assured of satisfactory quality and service at a fair price.
- iii. Right to seek redress: KOFC provides ways for customers to air their complaints through the customer care office, suggestion boxes and a customer care remark book, through this, their complains are adequately addressed.
- iv. Consumer Protection Act: KOFC adheres to Customer Protection Act to ensure good services and relationship between the customer and the corporation.
- v. Right to consumer education: KOFC educates its consumers of its products and services to better equip them with the knowledge to ensure they are sufficiently informed.

**v) Corporate Responsibility/Community Engagements**

KOFC commitment to its stakeholders is to improve the quality of lives of the community surrounding its installations through Corporate Social Responsibilities. We take our social and environmental responsibility seriously and support the communities and the environment within which we do our business. The Board and Management believe that Corporate Social Responsibility (CSR) programmes should be relevant, impactful, and sustainable. The Board takes overall responsibility for the continued development and implementation of appropriate social and environmental policies of the Corporation. Our focus is on empowerment of youth women and persons with disabilities. The Corporation reaches out to communities along the waterline by connecting them to the pipeline to access safe and clean water. During the year under review, the Corporation was involved in CSR activities which includes donation of food items and cash to neighboring schools and Environmental Conservation. The Corporation relies on the environment extensively for its business, including timber for packaging of Ammo. Besides, the Corporation is involved in tree-planting within its vast land.

### **13. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Kenya Ordnance Factories Corporation Affairs.

#### **i) Principal Activities**

The Corporation principal activities are to:

- Manufacture military hardware, machinery and equipment.
- Produce defense articles.
- Manufacture apparels.
- Assemble and manufacture motor vehicles.
- Construct roads, water pans, buildings and other structures and carry out food processing.

#### **ii) Results**

The results for the Corporation for the year ended June 2025 are set out on page 1. The summary of Profit made during the year is **Ksh.50,973,306**

#### **iii) Directors**

The members of the Board of Directors who served during the year are shown on pages vii to viii.

#### **iv) Auditors**

The Auditor General is responsible for the statutory audit of the Kenya Ordnance Factories Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

**14. Statement of Directors' Responsibilities**

Section 83 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 KOFC, which give a true and fair view of the state of affairs of the Corporation at the end of the period and the operating results of the Corporation for that period. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the (period) ended on June 30, 2025. 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 Corporation;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act.

By the Order of the Board.

  
.....

**Brig D O Odeny**

**Corporate Secretary to the Board**

Date... 14 August 2025 .....

**Kenya Ordnance Factories Corporation**  
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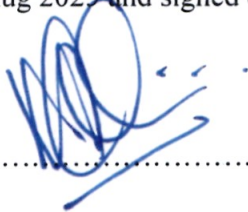
**Statement of Directors Responsibilities (continued)**

The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of KOFC's transactions during the period ended 30 June 2025, and of the Corporation financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation'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 Corporation 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 Kenya Ordnance Factories Corporation's financial statements were approved by the Board on 14 Aug 2025 and signed on its behalf by:



.....  
**General C M Kahariri**  
**Chairperson of the Board**



.....  
**Major General G O Okumu**  
**Accounting officer**

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KENYA ORDNANCE FACTORIES CORPORATION FOR THE YEAR ENDED 30 JUNE, 2025

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### 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; and,
- 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 Kenya Ordnance Factories Corporation set out on pages 1 to 42, which comprise of the statement of financial position

as at 30 June, 2025, and the statement of profit/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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Ordnance Factories Corporation as at 30 June, 2025 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 Public Finance Management Act, 2012 and the State Corporations Act, Cap 446.

### **Basis for Qualified Opinion**

#### **Long Outstanding Trade Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.919,509,894 (2024 – Kshs.1,186,314,494) as disclosed in Note 19 to the financial statements. Included in the balance are receivables amounting to Kshs.494,613,573 which had been outstanding for more than one hundred and twenty (120) days. Although Management had made a provision of Kshs.105,336,752 for the bad debt in 2023/2024, approval from the Cabinet Secretary and the cabinet for writing off the balance of Kshs.105,336,752 was not provided.

In the circumstances, the accuracy and full recoverability of the outstanding trade receivables balance of Kshs.494,613,573 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Ordnance Factories Corporation 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 qualified opinion.

### **Emphasis of Matter**

#### **Unprofitable/Loss Making Factories**

The statement of profit/loss and other comprehensive income reflects a net profit before tax of Kshs.50,973,306. Review of sales revenue and the cost of sales revealed that three (3) out of five (5) factories made combined loss of Kshs.161,731,048 during the year. The declining performance of the three (3) factories which includes; Ammunition, the Defence Food and Processing Production Factory (DFPPF) and the Bakery, raises significant concerns about their sustainability. The losses negatively impacted on the Corporation's

overall performance, and its continued viability will depend on government grants. The Management did not disclose measures put in place to ensure profitability of all the Corporation units.

My opinion is not modified in respect of this matter

### **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 under the Report on Financial Statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in the Use of Public Resources, and Report on the Effectiveness of Internal Controls, Risk Management and Governance. These include, long outstanding trade receivables, unprofitable/loss making factories, non-compliance with law on ethnic diversity, and failure to conduct Board evaluation. Review of the status during audit of the Corporation in 2024/2025 revealed that the matters remained unresolved.

### **Other Information**

The Management is responsible for the Other Information set out on page iv to xxxviii which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, 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 Kenya Ordnance Factories Corporation 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.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

# 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 with Law on Ethnic Diversity**

Review of personnel records revealed that the Corporation had three hundred and two (302) permanent and pensionable civilian staff as at 30 June, 2025. However, one hundred and twenty-five (125) or 41% were staff from the dominant ethnic community. This was contrary to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

### **2. Non-Compliance with One- Third of Basic Salary Rule**

Review of the Corporation payroll for the year ended 30 June, 2025 revealed ten (10) cases of staff who had overcommitted their salaries and were receiving net pay less than one third of their respective basic pay. This was contrary to Section 19(3) of the Employment Act, 2007 which states that all deductions made by an employer from the wages or salaries of his employees at any one time shall not exceed two thirds of such wages or salaries.

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 and 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.

### **Responsibilities of the Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) 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 Corporation'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 Corporation'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 of 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**

**17 December, 2025**

**KENYA ORDNANCE FACTORIES CORPORATION**

**Annual Report and Financial Statements for the year ended June 30, 2025**

**15. Statement of Profit/Loss & Other Comprehensive Income for year ended 30 June 2025.**

Description	Note	30 June 2025	30 June 2024
		Kshs	Kshs
<b>Revenues</b>			
Revenue from sale of ammo	6	399,857,624	683,059,847
Cost of Sales	7	(441,436,455)	(573,041,216)
<b>Gross Profit</b>		<b>(41,578,831)</b>	<b>110,018,631</b>
<b>Other Income</b>			
Grants from the national government	8	567,945,581	616,050,645
Finance income	9	8,036,438	1,267,618
Other income	10	555,787,424	510,481,389
Foreign exchange gain/(loss)	11	437,591	(3,333,935)
<b>Total Revenues</b>		<b>1,090,628,203</b>	<b>1,234,484,346</b>
<b>Operating Expenses</b>			
Administration costs	12	(1,032,692,107)	(1,394,040,203)
Selling and distribution costs	13	(5,757,323)	(7,553,297)
<b>Total Operating Expenses</b>		<b>(1,038,449,430)</b>	<b>(1,401,593,500)</b>
<b>Profit/(Loss) before taxation</b>		<b>52,178,773</b>	<b>(167,109,154)</b>
Withholding Tax on Interest Income	15	(1,205,467)	(190,143)
<b>Profit/(Loss) after taxation</b>		<b>50,973,306</b>	<b>(167,299,296)</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

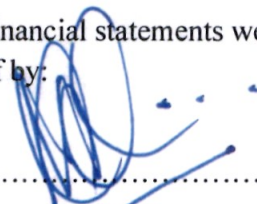
**17. Statement of Financial Position as at 30 June 2025**


Description	Note	30 June 2025	30 June 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	16	11,394,771,566	11,499,841,066
<b>Total Non-Current Assets</b>		<b>11,394,771,566</b>	<b>11,499,841,066</b>
<b>Current Assets</b>			
Inventories		1,824,564,211	1,569,414,099
	17		
Biological Assets	18	139,541,252	154,136,484
Trade and other receivables	19	919,509,894	1,186,314,494
Short-Term Deposits	20	153,666,260	139,372,899
Bank and Cash Balances	21	419,879,952	139,971,756
<b>Total Current Assets</b>		<b>3,457,161,571</b>	<b>3,189,209,732</b>
<b>Total Assets</b>		<b>14,851,933,136</b>	<b>14,689,050,798</b>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Government Investment	22	6,283,277,917	6,283,277,917
Revaluation Reserve	22	7,984,538,987	7,984,538,987
Retained Earnings		(296,314,189)	(397,610,100)
Deferred Income	24	406,526,968	317,032,148
<b>Capital and Reserves</b>		<b>14,378,029,683</b>	<b>14,187,238,952</b>
<b>Non-Current Liabilities</b>			
Tax Payable		-	73,875,160
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>73,875,160</b>
<b>Current Liabilities</b>			
Trade and Other Payables	25	473,903,453	412,317,004
Current Tax Payable	26	-	15,619,682
<b>Total Current Liabilities</b>		<b>473,903,453</b>	<b>427,936,686</b>
<b>Total Equity and Liabilities</b>		<b>14,851,933,136</b>	<b>14,689,050,798</b>


**KENYA ORDNANCE FACTORIES CORPORATION**  
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The financial statements were approved by the Board on 14 Aug\_2025 and signed on its behalf by:

  
.....  
**General C M Kahariri**  
**Chairman of the Board**

  
.....  
**Major General G O Okumu**  
**Managing Director**

  
.....  
**CPA J Juma**  
**Finance Manager**  
**ICPAK No. 23741**

**KENYA ORDNANCE FACTORIES CORPORATION**  
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**18. Statement of Changes in Equity for the year ended 30 June 2025**

Description	Note	Government Investment	Revaluation Reserve	Revenue Reserve	Capital Grant	Total
		Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at 01 July 2023</b>		5,369,026,514	6,975,261,655	(662,930,756)	243,295,161	<b>11,924,652,574</b>
Adjustment on fixed assets carrying amount	15	29,166,522	-	-	-	<b>29,166,522</b>
Deferred income transfer to revenue reserve	24	-	-	26,263,013	(26,263,013)	-
Adjustment on taking charge of DFPPF Assets	15	885,084,881	-	-	-	<b>885,084,881</b>
Adjustment for revaluation (historical cost)	15	-	(442,330,570)	-	-	<b>(442,330,570)</b>
Adjustment for revaluation (depreciation)	16	-	1,451,607,902	-	-	<b>1,451,607,902</b>
Capital grants received during the year		-	-	-	100,000,000	<b>100,000,000</b>
Retained earnings adjustment		-	-	406,356,939	-	<b>406,356,939</b>
Profit/(Loss) for the year		-	-	(167,299,296)	-	<b>(167,299,296)</b>
<b>As at 30 June 2024</b>		<b>6,283,277,917</b>	<b>7,984,538,987</b>	<b>(397,610,100)</b>	<b>317,032,148</b>	<b>14,187,238,952</b>
<b>As at 01 July 2024</b>		<b>6,283,277,917</b>	<b>7,984,538,987</b>	<b>(397,610,100)</b>	<b>317,032,148</b>	<b>14,187,238,952</b>
Deferred income transfer to revenue reserve	24	-	-	10,505,180	(10,505,180)	-
Adjustment on carrying amounts		-	-	39,817,425	-	<b>39,817,425</b>
Capital grants received in the year		-	-	-	100,000,000	<b>100,000,000</b>
Profit/(Loss) for the year		-	-	50,973,306	-	<b>50,973,306</b>
<b>As at 30 June 2025</b>		<b>6,283,277,917</b>	<b>7,984,538,987</b>	<b>(296,314,189)</b>	<b>406,526,968</b>	<b>14,378,029,683</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
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**19. Statement of Cash Flows for the year ended 30 June 2025**

Description	Note	30 June 2025	30 June 2024
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
Cash generated from/(used in) operations	28	287,508,160	115,760,629
Interest received	9	(8,036,438)	(1,267,618)
Taxation paid	26(a)	(89,494,842)	(102,348,055)
<b>Net cash generated from/(used in) Operating Activities</b>		<b>189,976,880</b>	<b>12,144,956</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment (PPE)	16	(3,811,760)	(48,877,501)
Interest received	9	8,036,438	1,267,618
<b>Net cash generated from/(used in) Investing Activities</b>		<b>4,224,678</b>	<b>(47,609,883)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Government Investment		100,000,000	100,000,000
<b>Net cash generated from/(used in) Financing Activities</b>		<b>100,000,000</b>	<b>100,000,000</b>
<b>Increase/(decrease) in Cash and Cash Equivalents</b>		<b>294,201,557</b>	<b>64,535,073</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>		<b>279,344,655</b>	<b>214,809,582</b>
<b>Cash and Cash Equivalents at the end of the year</b>		<b>573,546,212</b>	<b>279,344,655</b>

**KENYA ORDNANCE FACTORIES CORPORATION**
**Annual Report and Financial Statements for the year ended June 30, 2025**
**20. Statement of Comparison of Budget & Actual amounts for the period ended 30 June 2025**

Description	Original budget	Adjustments	Final budget	Actual on comparable Basis	Performance difference	% of Realization/ utilization	Remarks
	a	b	c=a + b	D	e = c - d	d/c %	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Ammunition Sales	1,252,234,199	-	1,252,234,199	399,857,624	-852,376,575	32%	Reduced orders from major customers
Bakery Sales	166,288,780	-	166,288,780	135,575,573	-30,713,207	81%	
Farm and Milling Sales	253,083,500	-	253,083,500	240,303,693	-12,779,807	95%	
KDF Bottled Water	117,263,489	-	117,263,489	88,934,429	-28,329,060	76%	
General Engineering Products	2,638,434	-	2,638,434	289,104	-2,349,330	11%	Emergency of low quality cheap products
Piped Water	11,484,500	-	11,484,500	9,183,769	-1,156,231	80%	
Interest Income	5,000,000	-	5,000,000	6,830,972	1,830,972	137%	
Disposal of General Stores	574,688	-	574,688	329,895	-244,793	57%	
DFPPF Revenue	113,371,377	-	113,371,377	88,934,429	-28,329,060	78%	Volatility in prices of raw material
Recurrent Grant	135,000,000	-	135,000,000	135,000,000	-	100%	
Farm Mechanization Grant	100,000,000	-	100,000,000	100,000,000	-	100%	
Opening Balances/ Debtors	41,048,070	-	41,048,070	821,684,598			
<b>Total Revenue</b>	<b>2,197,987,039</b>			<b>1,276,685,622</b>			
Materials for Ammo Production	752,375,782	10,000,000	742,375,782	319,482,343	-422,893,439	43%	Delayed funding and long lead time
Carbide and Non -Carbide Tools	38,347,540	5,000,000	43,347,540	11,662,440	-31,685,100	27%	Delayed procurement process
Auxiliary consumables and Chem.	11,644,525		11,644,525		-11,644,525	0%	Delayed procurement process
Chemicals for Water Treatment	5,347,205		5,347,205	1,653,817	-3,693,388	31%	Lack of funds

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Machine Maintenance Spares	25,034,333	6,000,000	31,034,333	17,964,277	-13,070,056	58%	Frequent breakdowns
Repairs and Maintenance of Vehicles	8,038,880		8,038,880	5,435,837	-2,603,043	68%	
Upgrade of Production Machines	10,590,856	-6,000,000	4,590,856		-4,590,856	0%	Rescheduled to next FY 25/26
Maintenance of Buildings	3,399,020		3,399,020	1,046,332	-2,352,688	31%	Lack of funds
Maintenance of Roads	1,000,000		1,000,000		-1,000,000	0%	Lack of funds
Computer Expenses and Software	5,273,216		5,273,216	35,816	-5,237,400	1%	Lack of funds
ICT Upgrade	5,500,000		5,500,000		-5,500,000	0%	Rescheduled to next FY 25/26 due to Lack of funds
Silo Maintenance	1,655,016		1,655,016	147,887	-1,507,129	9%	Reduced need for maintenance requirement
Welding and Fabrication Materials	2,631,413		2,631,413	112,791	-2,518,622	4%	Reduced orders received from customers
Assorted General Tools & Materials	55,067,043	5,000,000	60,067,043	10,769,941	-49,297,102	18%	Reduced orders
Bank Charges and Commission	3,000,000		3,000,000	2,252,785	-747,215	75%	
Electricity Expenses	35,000,000		35,000,000	32,656,007	-2,343,993	93%	
Emoluments	385,558,335		385,558,335	294,754,454	-90,803,881	76%	Delayed Salary increment was
Motor Vehicles Fuel & Oil	40,945,000	6,000,000	46,945,000	46,711,945.32	-233,054.68	99%	

**KENYA ORDNANCE FACTORIES CORPORATION**  
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Directors Allowances	9,600,000		9,600,000	4,869,583	-4,730,417	51%	Less BOD Meetings held
Travelling & accommodation	15,000,000		15,000,000	13,978,831	-1,021,169	93%	
Hospitality & Official Ent	3,030,000		3,030,000	1,896,703	-1,133,297	63%	Instituted cost cutting procedures
Telephone, Television and Internet	3,910,000		3,910,000	3,593,956	-316,044	92%	
Postal & Courier Expenses	550,000		550,000	67,049	-482,951	12%	Use of online Tech knowledge in transmission of information
Drugs, Dressing and Medical Examination expenses	546,870	-	546,870	166,116	-380,754	30%	Lack of funds
General Stores/Cleaning Materials	1,910,005	-	1,910,005	419,355	-1,490,650	22%	Lack of Funds
Payment of Rent	3,630,000		3,630,000	3,634,320	4,320	100%	
Insurance Expenses	38,514,334	-	38,514,334	36,878,722	1,635,612	95%	
Office Equipment	1,017,797		1,017,797	870	-1,016,927	0%	Lack of funds
Domestic Household Expenses	3,888,600	1,000,000	4,888,600	2,747,997	-2,140,603	56%	Lack of funds
Audit, legal and Taxes	40,900,000	14,022,000	54,922,000	54,921,519	-481	100%	
Printing & Purchase of Stationery	8,735,708		8,735,708	4,156,352	-4,579,356	48%	Adoption of paperless comms
Water & Sanitation Services	520,000	-	520,000.00	134,137	-385,863	26%	Reduced requirement
Purchase of Protective Gear	2,083,258		2,083,258		-2,083,258	0%	Lack of funds
Purchase of Security and Eqpt	1,504,000		1,504,000	23,313	-1,480,687	2%	Lack of funds
Training Expenses	2,848,800	-1,022,000	1,826,800	434,600	-1,392,200	24%	Lack of funds
Tendering and Advertisement	700,000	-	700,000	573,629	-126,371	82%	Increase in number of tenders
Expenses for Clearing Goods	17,000,000		17,000,000	13,282,366	-3,717,634	78%	Reduced imports

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Farm Mechanization	100,000,000	-	100,000,000	710,000	-99,290,000	1%	Lack of funds
Communication expenses	91,100	-	91,100		-91,100	0%	Lack of funds
Selling Marketing and distribution	6,000,000	5,000,000	11,000,000	3,162,434	-7,837,566	29%	Lack of funds
Farm Expenses	115,145,326	-6,000,000	109,145,326	89,188,830	-19,956,496	82%	Lack of funds
Bakery Consumables	161,499,410	-9,000,000	152,499,410	84,783,107	-67,716,303	56%	Reduced orders
Water Bottling Consumables	55,498,206		55,498,206	42,175,906	-13,322,300	76%	Reduced production
Milling Plant Consumables	52,507,020	-5,000,000	47,507,020	41,077,241	-6,429,779	86%	Reduced production
Purchase of Lab Eqpt & Spares	5,315,014	-	5,315,014		-5,315,014	0%	Lack of funds
Lab Reagents and Eqpt servicing	2,383,100		2,383,100	964,371	-1,418,729	40%	Lack of funds
Research and Development	1,000,000		1,000,000	499,200.00	500,800	49%	Lack of funds
Ballistic Analyzer (Accessories)	2,008,000		2,008,000		-2,008,000	0%	Postponed Program to following FY
ISO Transition to 9001: & ISO 22000	5,840,000		5,840,000		-5,840,000	0%	Lack of funds
External Product Analysis	492,000		492,000	28,850	-463,150	6%	
DFPPF	138,910,327		138,910,327	75,656,287	-63,254,040	54%	Reduced production
<b>Total Expenditure</b>	<b>2,197,987,039</b>	<b>-</b>	<b>2,197,987,039</b>	<b>1,224,712,316</b>	<b>-957,904,112</b>		
<b>Budget Surplus</b>				<b>50,973,306</b>	<b>(50,973,306)</b>		Accumulated for Raw materials Purchase for Ammo

## **21. Notes to Financial Statements**

### **1. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation, and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

**2. 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 2025.**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
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 recognize any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> <li>i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and</li> <li>iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.</li> </ul>	1 January 2026

The Directors have assessed the applicable standards and amendments. Based on their assessment of the impact of the application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

**iv. Early adoption of standards**

The Corporation did not early - adopt any new or amended standards in the financial year.

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

**4. Summary of Accounting Policies**

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

**a. Revenue recognition**

Revenue is measured based on the consideration to which the Corporation expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation 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 Corporation delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** re recognized in the year in which the Corporation 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 realized 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.

**b. In-kind contributions**

In-kind contributions are donations that are made to the Corporation 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 Corporation includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**c. Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

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

**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:

<b>Item</b>	<b>Years</b>	<b>Rate</b>
Freehold Land	Nil	Nil
Buildings and civil works	100	1%
Plant and machinery	40	2.50%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3.3	30%
Office equipment, furniture and fittings	20	5%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount

**e. 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.

**f. Trade and other receivables**

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

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

**g) 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.

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.

**h) 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 with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

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

**i) 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 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**j) 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.

**k) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 1998. The scheme is administered by an in-house team and is funded by contributions from both the Corporation and its employees. The Corporation also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Corporation's obligation under the scheme is limited to specific contributions.

**l) Provision for staff leave pay**

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

**m) Exchange rate differences**

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

**n) Budget information**

The original budget for FY 2024/25 was approved by the National Assembly on 02 February 2025. 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.

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

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

**o) Service concession arrangements**

The Corporation 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.

**p) Comparative figures**

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

**q) 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, 2025.

**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.

**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 Corporation. Such changes are reflected in the assumptions when they occur.

**b. Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to the assets.

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

**6. Sale of Ammunition**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Sale of Ammo	399,857,624	683,059,847
<b>Total</b>	<b>399,857,624</b>	<b>683,059,847</b>
<b>7. Cost of Sales</b>		
Description	30 June 2025	30 June 2024
	Kshs	Kshs
<b>Direct costs</b>		
Opening stock	383,541,278	883,338,069
Purchases	341,914,724	14,342,007
Adjustment of prior year closing stock	-	-
Less closing stock of raw materials	(430,992,881)	(383,541,278)
<b>Cost of raw materials used</b>	<b>294,463,122</b>	<b>514,138,798</b>
Direct labour	210,145,361	182,389,522
<b>Total direct cost</b>	<b>504,608,483</b>	<b>696,528,320</b>
<b>Factory Overheads</b>		
Insurance	16,371,232	8,449,993
Electricity	25,501,967	17,895,702
Goods clearance expenses	13,282,366	2,131,249
Water and effluent treatment chemical	1,682,667	1,814,820
Laboratory chemicals	964,371	2,175,042
Machine Spares & Maintenance	15,755,994	61,914,081
Depreciation (Note 12(c))	66,619,844	66,699,344
<b>Sub-total of factory overheads</b>	<b>140,178,440</b>	<b>161,080,231</b>
<b>Total</b>	<b>644,786,923</b>	<b>857,608,551</b>
Opening work-in-progress	178,038,902	278,481,503

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Opening scrap	301,000	1,701,000
Closing work-in-progress	(278,435,611)	(178,038,902)
Closing scrap	-	(301,000)
<b>Production Cost of Finished Goods</b>	<b>544,691,213</b>	<b>959,451,152</b>
Opening stock of finished goods	873,052,319	486,642,383
<b>Goods available for sale</b>	<b>1,417,743,532</b>	<b>1,446,093,535</b>
Closing stock of finished goods	(976,307,078)	(873,052,319)
<b>Cost of sales</b>	<b>441,436,455</b>	<b>573,041,216</b>

**8. Grants from National Government**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Recurrent Grant	135,000,000	135,000,000
Other grants (Salaries and allowances)	432,945,581	481,050,645
<b>Total</b>	<b>567,945,581</b>	<b>616,050,645</b>

Capital grant	100,000,000	100,000,000
<b>Total</b>	<b>100,000,000</b>	<b>100,000,000</b>

Ministry of Defence	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund	30 June 2025	FY 2023-2024
	KShs	KShs	KShs	Kshs	Kshs
Ministry of Defence	667,945,581	-	(100,000,000)	567,945,581	616,050,645
<b>Total</b>	<b>667,945,581</b>	<b>-</b>	<b>(100,000,000)</b>	<b>567,945,581</b>	<b>616,050,645</b>

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8(a). Other grants relate to salaries and allowances to seconded military personnel paid by Ministry of Defence. Seconded Military Personnel are distributed among various KOFC Factories. Other Grants are apportioned according to Seconded Military Personnel deployment as follows:

Description	30 June 2025	30 JUNE 2024
	Kshs	Kshs
Ammunition	76,454,960	84,949,956
Farm and milling	5,012,960	5,569,956
Piped Water	7,656,077	8,506,752
Bottled Water	19,214,226	21,349,140
Bakery Products	24,665,083	27,405,648
DFPPF	77,008,666	85,565,184
Admin	222,933,608	247,704,009
<b>Total</b>	<b>432,945,581</b>	<b>481,050,645</b>

**9. Finance Income**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Interest from Commercial Banks	8,036,438	1,267,618
<b>Total</b>	<b>8,036,438</b>	<b>1,267,618</b>

**10. Other Income**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Farm and Milling (Note 10 (a))	240,303,693	188,637,527
Piped Water	9,183,769	10,231,128
General Engineering	437,831	4,697,243
Bottled Water	88,934,429	74,755,939
Disposal(s)	289,104	329,895
Bakery Products	135,575,573	176,866,401
DFPPF (Dehydrated Vegetables)	81,063,025	54,963,256
<b>Total</b>	<b>555,787,424</b>	<b>510,481,389</b>

**Note 10(a) Farm and milling income**

Description	30 June 2025	30 June 2024
	Kshs	Kshs

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Farm and Milling Sales	240,303,693	188,928,619
Value gain due to harvest (10b)	(14,595,232)	(68,767,488)
<b>Total</b>	<b>225,708,461</b>	<b>120,161,131</b>

**Note 10(b) Fair Value on Biological Assets**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Opening Balance	154,136,484	222,903,972
Closing Balance	(139,541,252)	(154,136,484)
Fair value of harvest	-	-
<b>fair value gain due to harvest</b>	<b>14,595,232</b>	<b>68,767,488</b>

**11. Other Gains or Losses**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Foreign exchange gain/(losses)	437,591	(3,333,935)
<b>Total</b>	<b>437,591</b>	<b>(3,333,935)</b>

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**12. Administration Costs**

Description	30-Jun-25	30-Jun-24
	Kshs	Kshs
Staff costs (Note (12a))	294,471,012	368,658,173
Advertisement and tendering expenses	573,629	2,098,890
Audit expenses and tax expense	900,000	900,000
Bank charges	2,252,785	5,709,991
Computer expenses	35,816	3,166,218
Depreciation: Administration (Note (12c))	9,166,824	12,360,709
Director allowances	4,869,583	5,461,210
Domestic and household expenses	3,168,222	7,391,887
Electricity expenses	618,552	3,931,798
Insurance expenses	11,933,570	5,859,287
Telephone, DSTV and Internet	3,063,873	4,898,675
Postage	64,649	140,000
Building Maintenance	1,165,719	1,579,795
Road Maintenance	-	41,000
Medical expenses	166,116	-
Motor vehicle running expenses	36,584,681	49,567,715
Newspaper and Periodicals	373,840	922,768
Official Entertainment	1,888,534	4,593,413
Stationery and office expenses	9,240,542	3,574,126
Protective gears and uniform	23,313	845,640
Environment, water and sanitation	134,137	532,803
Sales and marketing expenses	3,162,434	-
Rent and rates	3,634,320.00	2,836,520.00
Training expenses	427,600.00	4,681,271.00
Travelling and accommodation	15,809,727.51	42,997,059.00
Field kitchen fabrication	1,467,746.96	4,458,014.00
Depreciation: Farm and Milling (Note (12c))	12,249,821.86	28,873,155.00
Farm and Milling expenses	169,775,088.56	313,886,141.00
Depreciation: Bakery (Note (12c))	1,958,677.01	2,817,577.00
Bakery expenses	161,894,454.32	219,824,173.00
Depreciation: Water Bottling (Note (12c))	717,075.00	1,077,075.00
Water Bottling expenses	79,680,175.91	86,774,067.00
Piped water expenses	143,934.00	4,764,845.00

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Depreciation: DFPPF (Note (12c))	18,169,375.29	18,217,515.00
DFPPF expenses	182,906,279.82	180,598,695.00
<b>Total</b>	<b>1,032,692,107</b>	<b>1,394,040,205.00</b>

**12a. Staff Costs**

Staff cost has been distributed among KOFC lines of business they relate to as follows:

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Administration	294,471,012	368,658,173
Ammunition	206,405,411	180,358,198
Farm and milling	26,181,711	19,298,221
Bottled Water	31,408,329	30,534,059
Bakery Products	50,670,424	50,602,743
Commercial service	5,757,323	7,553,297
DFPPF	106,247,193	113,033,829
<b>Sub-total</b>	<b>721,141,402</b>	<b>770,038,520</b>
Casual labourers	-	18,829,145
<b>Total</b>	<b>721,141,402</b>	<b>788,867,665</b>

**12(b). Staff Costs**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Salaries and allowances of permanent employees	232,564,135	269,172,614
Wages of temporary employees	16,340,560	18,829,145
Employer's contributions to national social security schemes	2,979,720	4,016,520
Employer's contributions to pension scheme	11,993,906	15,798,741
In kind grant (Salary to seconded personnel)	432,945,581	481,050,645
<b>Total</b>	<b>696,823,901</b>	<b>788,867,665</b>

The average number of employees at the end of the period was:

Description	30 June 2025	30 June 2024
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	<b>Kshs</b>	<b>Kshs</b>
Permanent employees – management	9	9
Permanent employees – unionisable	302	307
Temporary and contracted employees	69	10
<b>Total</b>	<b>380</b>	<b>326</b>

**12(c) Apportionment of depreciation expenses.** Depreciation expense is distributed as follows:

<b>Description</b>	<b>30 June 2025</b>	<b>30 June 2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Milling	12,249,820	28,873,155
Production	66,619,844	66,699,344
Bottled Water	717,076	1,077,075
Administration	9,166,824	12,360,709
Bakery Products	1,958,676	2,817,577
DFPPF	18,169,020	18,217,515
<b>Total</b>	<b>108,881,260</b>	<b>130,045,375</b>

**13. Selling and Distribution costs**

<b>Description</b>	<b>30 June 2025</b>	<b>30 June 2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries and wages of Sales personnel	5,757,323	7,553,297
<b>Total</b>	<b>5,757,323</b>	<b>7,553,297</b>

**14. Operating Profit**

The operating profit/(loss) is arrived at after charging/(crediting):

<b>Description</b>	<b>30 June 2025</b>	<b>30 June 2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Staff Costs (Note 11b)	696,823,901	788,867,665
Depreciation of property, plant and equipment	108,881,260	130,045,375

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Directors' emoluments – fees	4,869,583	5,461,210
Auditors' remuneration - current year fees	3,893,000	900,000
Net foreign exchange loss	437,591	3,333,935
Interest receivable	(8,036,438)	(1,267,618)

**15. Income tax expenses**

Description	30 June 2025	30 June 2024
	Kshs	
Current taxation based on the adjusted Profit for the year at 30%	(1,205,465)	(190,143)
<b>Total</b>	<b>(1,205,465)</b>	<b>(190,143)</b>

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

**16. Property, Plant and Equipment**

AS AT 31 MARCH 2025	LAND	BUILDING AND CIVIL WORKS	WATERLINE AND CIVIL WORKS	WORK IN PROGRESS	PLANT EQUIPMENT, MACHINERY	MOTOR VEHICLES	FURNITURE AND FITTINGS	COMPUTERS	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>COST</b>									
<b>DEPRECIATION RATE</b>	0%	1%	1%	0%	2.50%	25%	5%	30%	
1st JULY 2024	6,946,450,000	1,031,322,032	476,772,242	371,970,111	3,129,728,130	202,942,151	34,422,007	21,099,997	12,214,706,670
Disposal	-	-	-	-	-	-	-	-849,000	-849,000
ADDITIONS	-	-	-	-	853,260	-	700,000	2,258,500	3,811,760
<b>30-Jun-25</b>	<b>6,946,450,000</b>	<b>1,031,322,032</b>	<b>476,772,242</b>	<b>371,970,111</b>	<b>3,130,581,390</b>	<b>202,942,151</b>	<b>35,122,007</b>	<b>22,509,497</b>	<b>12,217,669,430</b>
									-
<b>DEPRECIATION</b>									-
ACCUMULATED AS AT 01 JULY 2024	-	42,728,223	121,200,998	-	334,090,150	179,170,762	18,213,964	19,461,507	714,865,604
CHARGE FOR THE YEAR	-	10,313,220	4,767,724	-	78,243,204	13,593,556	1,191,520	772,036	108,881,260
Disposal								-849,000	-849,000
ACCUMULATED AS AT 30 JUNE 2025	-	53,041,443	125,968,722	-	412,333,354	192,764,318	19,405,484	19,384,543	822,897,864
<b>NET BOOK VALUE 30 JUNE 2025</b>	<b>6,946,450,000</b>	<b>978,280,589</b>	<b>350,803,520</b>	<b>371,970,111</b>	<b>2,718,248,036</b>	<b>10,177,833</b>	<b>15,716,523</b>	<b>3,124,954</b>	<b>11,394,771,566</b>
<b>NET BOOK VALUE 30 JUNE 2024</b>	<b>6,946,450,000</b>	<b>988,593,809</b>	<b>355,571,244</b>	<b>371,970,111</b>	<b>2,795,637,980</b>	<b>23,771,389</b>	<b>16,208,043</b>	<b>1,638,490</b>	<b>11,499,841,066</b>

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

**Valuation**

The following Assets were purchased during the year.

<b>Asset Class</b>	<b>Description</b>	<b>Amount</b>
Computers	65inch Samsung Neo Tv	248,500.00
	Purchase Of Kyocera Fs-1025mfp	50,000.00
	Purchase Of Drone Dj Matrice	1,960,000.00
Furniture and equipment	Executive Leather Sofa Seats and Coffee Tables	700,000.00
	Water Boozer Tank	710,000.00
	Lawn mower	143,260.00
<b>Total</b>		<b>3,811,760.00</b>

**17. Inventories**

<b>Description</b>	<b>30 June 2025</b>	<b>30 June 2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Raw materials	430,992,881	383,541,278
Work In Progress	278,435,611	178,038,902
Finished goods	976,307,078	873,052,319
Milling	48,033,396	49,987,355
DFPPF	35,296,371	22,861,891
Production scrap	-	301,000
Bakery stores	18,886,260	26,601,753
Stationery	0	5,084,190
General engineering store	6,287,720	7,639,676
General store	15,101,603	6,578,017
Water bottling	15,223,291	15,727,718
<b>Total</b>	<b>1,824,564,211</b>	<b>1,569,414,099</b>

**18. Biological Assets**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Maize	55,033,005	65,981,426
Assorted Trees	67,122,900	67,122,900
Pastures	559,900	518,592
Wheat	16,825,447	20,513,566
<b>Total</b>	<b>139,541,252</b>	<b>154,136,484</b>

**19. Trade and Other Receivables**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
<b>(a) Current receivables</b>		
Trade Receivables (Note 19 (a))	821,684,598	1,073,313,742
Other prepayments and deposits	14,060,855	26,376,002
Staff receivables (Note 19 (b))	12,042,763	1,213,276
<b>Total current receivables</b>	<b>847,788,216</b>	<b>1,100,903,020</b>
<b>(b) Non-current receivables</b>		
Trade Receivables	3,736,084	2,394,024
Prepayments - raw materials	63,747,975	78,779,832
Claimable VAT	4,237,619	109,574,370
Provision for bad debt	-	(105,336,752)
<b>Total non-current receivables</b>	<b>71,721,678</b>	<b>85,411,474</b>
<b>Total</b>	<b>919,509,894</b>	<b>1,186,314,494</b>

**19 (a) Trade Receivables**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Gross Trade Receivables	821,684,598	1,073,313,742
Net Trade Receivables	821,684,598	1,073,313,742
ageing analysis of gross Trade Receivables		
Less than 30 Days	16,949,703	26,047,761
Between 30 and 60 Days	121,755,702	263,405,459
Between 61 and 90 Days	24,830,107	54,357,008
Between 91 and 120 Days	163,535,513	25,583,765
Over 120 Days	494,613,573	703,919,749
<b>Total</b>	<b>821,684,598</b>	<b>1,073,313,742</b>

**19(b) Staff Receivable**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Staff receivables	12,042,763	1,213,276
Provision for impairment loss	-	-
Net staff receivables	12,042,763	1,213,276
Less: Amounts due within one year	12,042,763	1,213,276
Amounts due after one year	-	-

**19(c) Tax Recoverable**

The Corporation is following up on the long outstanding debt of **Kshs 109,574,370** with KRA and the Ministry of Defence. Due to its nature of collection being doubtful, a provision for bad debt has been provided for.

**20. Short Term Deposit**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Cooperative Bank of Kenya	113,666,260	50,073,340
Kenya Commercial Bank	40,000,000	8,400,000
Kenya Commercial Bank	-	80,899,559
<b>Total</b>	<b>153,666,260</b>	<b>139,372,899</b>

The average effective interest rate on the short-term deposits as at June 30, 2025 was 3.5% (2024: 3.5%).

**21. Cash and Bank Balances**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Cash at bank	419,785,521	138,292,754
Cash in hand	-	21,933
M-pesa	94,432	1,657,069
<b>Sub-Total</b>	<b>419,879,953</b>	<b>139,971,756</b>
Fixed/on-call deposit	153,666,260	139,372,899
<b>Total</b>	<b>573,546,213</b>	<b>279,344,655</b>

Detailed analysis of the cash and cash equivalents

Description	Account no.	30 June 2025	30 June 2024
		Kshs	Kshs
<b>a) Current Account</b>			
KCB	1108117961	340,823,778	126,393,711
KCB Dollar account	1176538969	298,229	76,680
Co-operative Bank-Main	1136440335600	62,833,599	2,117,268
Co-operative Bank-Bakery	1148440335600	4,546,304	4,053,417
Co-operative Bank-FPF Gilgil	1136440335601	478,199	161
Co-operative Bank-Dollar	02104403356002	343,942	344,729
Co-operative Bank-Euro	2210440335603	121,598	111,350
Equity Bank	300297565294	10,310,611	5,163,357
National Bank	1001017953900	29,261	32,081
<b>Sub- Total</b>		<b>419,785,521</b>	<b>138,292,754</b>
<b>b) On - Call Deposits</b>			
KCB	1108117901	40,000,000	8,400,000
Coop Bank	1150440335600	113,666,260	50,073,340
KCB	1108117901	-	80,899,559
<b>Sub- Total</b>		<b>153,666,260</b>	<b>139,372,899</b>
<b>c) Others</b>			
Cash in hand		-	21,933
M-Pesa		94,432	1,657,069
<b>Sub- Total</b>		<b>94,432</b>	<b>1,679,002</b>
<b>Total</b>		<b>573,546,213</b>	<b>279,344,655</b>

**22. Government investment**

Opening government investment of **Ksh 6,283,277,917.00** is the initial amount used in establishing the Factory and other additional investments accumulated up to the Financial Year 2024/25.

Total revaluation reserve at the end of the Financial Year was Ksh.7,984,538,987.

**23. Retained Earnings**

The retained earnings represent amounts available for distribution to the government. Undistributed retained earnings are utilized to finance the Corporation's business activities. Retained earnings have been adjusted as follows:

**24. Deferred Income**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
National Government	406,526,968	317,032,148
<b>Total</b>	<b>406,526,968</b>	<b>317,032,148</b>

The deferred income movement is as follows:

Description	30 June 2025	30 June 2024
	Kshs	Kshs
<b>Balance Brought Forward</b>	<b>317,032,148</b>	<b>243,295,161</b>
Additions	100,000,000	100,000,000
Transfers To Income Statement	(10,505,180)	(26,263,013)
<b>Balance Carried Forward</b>	<b>406,526,968</b>	<b>317,032,148</b>

**25. Trade and Other Payables**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
<b>Current Liabilities</b>		
Trade payables	473,903,453	412,317,004
<b>Sub-Total</b>	<b>473,903,453</b>	<b>412,317,004</b>
<b>Non-Current Liabilities</b>		
Other payables (tax liability)	-	73,875,160
<b>Sub-Total</b>	<b>-</b>	<b>73,875,160</b>
<b>Total</b>	<b>473,903,453</b>	<b>486,192,164</b>

Aging Analysis for Trade and other Payables

Description	30 June 2025	% of the total	30 June 2024	% of the total
	Kshs		Kshs	
Under one year	256,558,864	62%	486,192,164	100%
1-2 years	217,344,589	38%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total</b>	<b>473,903,453</b>	<b>100%</b>	<b>486,192,164</b>	<b>100%</b>

**26. Current Tax Payable**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
<b>Balance B/f</b>	<b>15,619,682.00</b>	<b>82,069,526</b>
Adjustment for previous year provision	-	(64,336,372)
Charge for the year	-	-
Tax paid	(15,619,682.00)	(2,113,472)
<b>Balance B/f</b>	<b>-</b>	<b>15,619,682</b>

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**26(a)** Outstanding tax of Kshs.73,875,160 and previous year's current tax of Kshs.15,619,682 totalling to Kshs.89,494,842 were cleared during the year.

**27. Retirement Benefit Obligation**

The entity contributes to NSSF. This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at **Kshs. 1,080.00** per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by ICEA Lion Pension Fund. Employees contribute 3.5% while employers contribute 7% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

**28. Notes to the Statement of Cash Flows**

Description	30 June 2025	30 June 2024
	Kshs	Kshs
<b>(a) Reconciliation of operating Profit/(Loss) to Cash Generated From/(Used In) operations</b>		
Loss after tax	50,973,306	(167,109,154)
Depreciation	108,881,260	130,045,375
(Increase)/Decrease in fair value of biological assets	14,595,231.89	68,767,488
<b>Operating Profit before Working Capital changes</b>	<b>174,449,798</b>	<b>31,703,709</b>
Increase in Inventories	(255,150,112)	(14,747,289)
Decrease/(Increase) in Trade and Other Receivables	266,804,600	(346,679,737)
Increase in Trade and Other Payables	61,586,449	(184,099,223)
Adjustments to opening balances	-	511,693,691
Adjustments on Debtors carrying amount	39,817,425	94,889,416
Adjustments on other assets carrying amounts	-	23,000,061
<b>Cash Generated from/(used In) operations</b>	<b>287,508,160</b>	<b>115,760,628</b>

## 29. Related Party Disclosures

### Government of Kenya

The Government of Kenya is the principal shareholder of the Corporation, holding 100% of the Corporation's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) Ministry of Defence.
- ii) National Police Service.
- iii) KPLC.
- iv) National Intelligence Service.
- v) Key management

### Transactions with related parties

Description	30 June 2025	30 June 2024
	Kshs	Kshs
<b>a) Sales to related parties</b>	949,860,293	844,692,251
Sale of goods to government institution	949,860,293	844,692,251
<b>Total</b>		
<b>b) Purchases from related parties</b>		
Purchases of electricity from KPLC	38,419,532.72	36,277,710
<b>Total</b>	<b>38,419,532.72</b>	<b>36,277,710</b>
<b>c) Grants from the government</b>		
Grants from national govt	235,000,000	235,000,000
<b>Total</b>	<b>235,000,000</b>	<b>235,000,000</b>
<b>d) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	286,086,016.20	289,916,039
<b>Total</b>	<b>286,086,016.20</b>	<b>289,916,039</b>
<b>e) Key management compensation</b>		
Directors' emoluments	4,869,582.50	5,461,210
Compensation to key management	-	-
<b>Total</b>	<b>4,869,582.50</b>	<b>5,461,210</b>

## 30. Capital Commitments

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

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Amounts authorized and Contracted for	-	224,689,366
Amounts authorized but Not Contracted for	-	-
Less: Amounts included in Work in Progress	-	164,566,526
<b>Net</b>	<b>-</b>	<b>60,122,841</b>

## 31. Financial Risk Management

The Corporation'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

minimize 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 Corporation 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.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2025</b>				
Trade payables	-	53,697,020	420,206,433	473,903,453
Deferred income	-	-	417,032,147	417,032,147
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	<b>53,697,020</b>	<b>837,238,580</b>	<b>890,935,600</b>
<b>At 30 June 2024</b>				
Trade payables		421,317,004	73,875,160	486,192,164
Deferred income	-	-	317,032,148	317,032,148
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	<b>421,317,172</b>	<b>386,374,141</b>	<b>803,224,312</b>

**(iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

**Foreign currency risk**

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

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description	Kenya shillings	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2025</b>			
Cash	-	437,590	437,590
<b>Net foreign currency asset/(liability)</b>	-	437,590	437,590

**a) Interest rate risk**

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

**Management of interest rate risk**

To manage the interest rate risk, management has endeavored to transact with banking institutions that offer favorable interest rates.

**iv) Capital Risk Management**

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

Description	30 June 2025	30 June 2024
	Kshs	Kshs
Revaluation reserve	7,984,538,987	7,984,538,987
Retained earnings	(296,314,189)	(292,273,348)
Capital reserve	6,283,277,917	6,283,277,917
<b>Total Funds</b>	<b>13,971,502,715</b>	<b>13,975,543,556</b>
Total Borrowings	-	-
Less: Cash and Bank balances	573,546,213	279,344,656
Net Debt/(Excess Cash and Cash Equivalents)	(573,546,213)	(279,344,656)
Gearing	N/A	N/A

**34. Incorporation**

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

**35. Events after the Reporting Period**

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

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22. 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.

Ref	Observations from the Auditors	Management Comments	Status	Timeframe
1	<p><b>Long Outstanding Trade Receivables</b></p> <p><b>Observation</b>  The statement of Financial Position reflects Trade and Other Receivables balance of <b>Kshs. 1,186,314,494</b> as disclosed in note 19 to the Financial Statements. Included in the balance are receivables amounting to <b>Kshs. 703,919,748</b> which had been outstanding for more than one hundred and twenty (120) days. Although Management made a provision of <b>Kshs. 105,336,752</b> for the bad debt, there was no policy on the impairment of long outstanding debtors casting doubt on the fair statement of the accounts receivables balance. Further, as reported in the previous year, the trade receivables include a balance of <b>Kshs. 109,574,370 (2023-Kshs. 111,957,288)</b> in respect of claimable Value Added Tax which has remained outstanding for more than three (3) years.  In the circumstances, the accuracy and recoverability of the outstanding trade receivables balance of <b>Kshs. 1,186,314,494</b> could not be confirmed.</p>	<p>A Policy on impairment of bad debts is included in the KOFC Finance and Accounting Policies and Procedure Manual.</p> <p>The process to write-off <b>Ksh 109,574,370</b> is in progress, the Corporation has written to the Line Ministry in order to facilitate the write off the amount.</p>	Not Resolved	FY 26/27

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2	<p><b>Unprofitable/ Loss Making Factories</b></p> <p>The statement of profit/loss and other comprehensive income reflected a net loss before tax of <b>Kshs.167,109,154</b>. Review of sales revenue and the cost of sales revealed that four (4) out of the seven (7) factories were making losses leading to a trading loss of <b>Kshs242,835,112</b>. The declining performance of the four factories which included; the Dehydrated Vegetables (DPFPP), Bakery, Field Kitchen and Bottled Water over the past three years, culminating in an overall trading loss for the current year, raises significant concerns about their sustainability. These losses negatively impacted on the Corporation's overall performance, and its continued viability will depend on government grants. The Management did not disclose measures put in place to ensure profitability of all the Corporation units.</p>	<p>Various strategies have been put in place to avoid further losses</p> <p>Strategies to boost profitability in <b>Bakeries:</b></p> <p>a. Aggressive marketing implemented and clients such as Moi Forces Lanet and Nairobi have been reboarded. New wholesalers have also been brought on board.</p> <p>b. Lowering costs of production especially on acquisition of raw materials through frame work agreements with the suppliers has been initiated.</p> <p><b>Thika Water Bottling Plant</b></p> <p>Aggressive marketing ongoing.</p> <p>Product diversification to include glass bottles has been introduced.</p> <p><b>DFPPF</b></p>	Not Resolved	FY 25/26
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		<p>The Corporation has reduced processing products and has focused on tubers which gher profit margin.</p> <p>The Corporation has entered into framework agreements with suppliers of raw materials which has significantly reduced the costs of production.</p>		
3	<p><b>Non-compliance with Law on Ethnic Diversity</b></p> <p>Review of personnel records revealed that the Corporation had a total civilian staff of three hundred and seven (307) at 30 Jun, 2024, out of which one hundred and twenty-nine (129) or 42% of the total number of civilian staff were from the dominant ethnic community. This was contrary to Section 7(1) and 2 of the National Cohesion and integration Act, 2008 which provides that all public offices shall seed to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community. In the circumstances, Management was in breach of the law.</p>	<p>The Corporation has not recruited over the years due to the financial challenges that it faces. Staff have also been leaving creating natural attrition which has resulted into ethical imbalances.</p> <p>However, future recruitments will be guided by the need to uphold the Public Service Human Resource Policies. This will address the matter as the Corporation expands</p>	Not Resolved	FY 27/28

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4	<p><b>Failure to conduct Board Evaluation</b></p> <p>The Corporation had eleven (11) Board Members who served during the year ended <b>30 June, 2024</b>. However, the Board of Directors did not conduct a Board evaluation of its performance in the year under review. This was contrary to Section 1.12(1)(b) of Mwongozo Code of Governance for State Corporations, 2015 which states that the Board should undertake an annual evaluation of its performance. Further, Section 1.12 (2) states that the evaluation as a whole should cover the Board as a whole, its committees, individual members, the Chairperson, the Chief Execution Officer, and the Corporation Secretary. In the circumstances, the effectiveness of the Board in governance may not be adequately measured.</p>	<p>The Corporation endeavours to conform to Mwongozo code of governance in its Board Evaluation. However, Board Members' personal information are expected to be uploaded to State Corporation Advisory Committee (SCAC) website for online evaluation which may lead to security breaches.</p> <p>The Corporation, through DNSI is in liaison with SCAC on ways of addressing the issue for instance, Exemption or creation of a tailor-made tool for SAGAS under the Ministry of Defence.</p>	Not Resolved	FY 25/26
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**G O OKUMU**  
 Major General  
 Accounting officer

Kenya Ordnance Factories Corporation

Date ..... 08/12/2025

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**Appendix IV: Transfers From Other Government Entities**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - Kshs	Statement of Financial Performance	Where Recorded/Recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Defence	15.10.2024	Recurrent	135,000,000	135,000,000	-	-	-	-	135,000,000
Ministry of Defence	23.06.2025	Development	100,000,000	-	100,000,000	-	-	-	100,000,000
<b>Total</b>			<b>235,000,000</b>	<b>135,000,000</b>	<b>100,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,000,000</b>