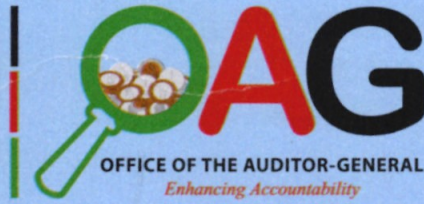


REPUBLIC OF KENYA



# REPORT

PARLIAMENT  
OF KENYA  
LIBRARY


OF

## THE AUDITOR-GENERAL

ON

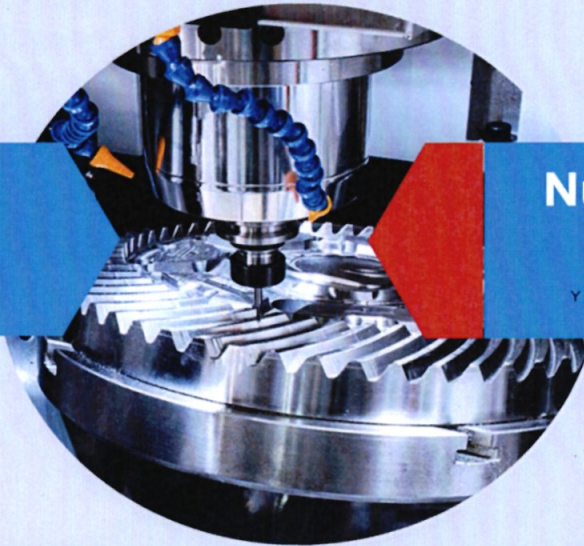
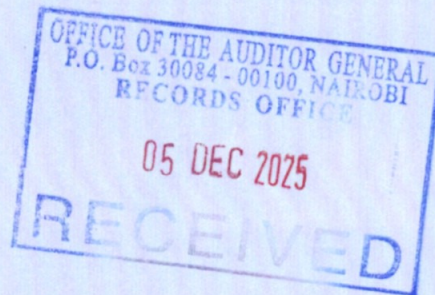
### NUMERICAL MACHINING COMPLEX LIMITED

### 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-THE-TABLE:	Mado Miniam



[www.nmc.go.ke](http://www.nmc.go.ke)



**Numerical Machining  
Complex Limited**

YOUR PARTNER IN ENGINEERING SOLUTIONS

## **NUMERICAL MACHINING COMPLEX LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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

## **Table of Contents**

### **Contents**

1. Acronyms and Definition of Key Terms.....	iii
2. Key Entity Information.....	iv
3. The Board of Directors.....	ix
4. Key Management Team .....	xv
5. Fiduciary Management .....	xx
6. Fiduciary Oversight Arrangements .....	xxi
7. Chairman's Statement .....	xxiii
8. Report of the Managing Director .....	xxv
9. Statement of Performance against Predetermined Objectives for FY 2024/25.....	xxviii
10. Corporate Governance Statement .....	xxxii
11. Management Discussion and Analysis.....	xl
12. Environmental and Sustainability Reporting .....	xliv
13. Report of the Directors .....	xlviii
14. Statement of Directors' Responsibilities .....	xlix
15. Report of the Independent Auditors on the financial statements for 2023/24 .....	li
16. Statement of Profit and Loss and Other comprehensive income for the year ended 30th June 2025. 1	
17. Statement of Financial Position as at 30 June 2025 .....	2
18. Statement of Changes in Equity for the year ended 30 June 2024 .....	4
19. Statement of Cash Flows for the year ended 30 June 2025.....	5
20. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2025.6	
21. Notes to the Financial Statements .....	9
Appendix 1: Implementation Status of Auditor-General prior year recommendations .....	44
Appendix II: Projects implemented by Numerical Machining Complex .....	51
Appendix III- Inter-Entity Confirmation Letter.....	52

**1. Acronyms and Definition of Key Terms**

**A. Acronyms**

<b>NMC</b>	Numerical Machining Complex Limited
<b>IFRS</b>	International Financial Reporting Standards
<b>MD</b>	Managing Director
<b>NT</b>	National Treasury & Economic Planning
<b>PFM</b>	Public Finance Management.
<b>PSASB</b>	Public Sector Accounting Standards Board

**B. Definition of Key Terms**

**Fiduciary Management** - Members of Management directly entrusted with the entity's financial resources.

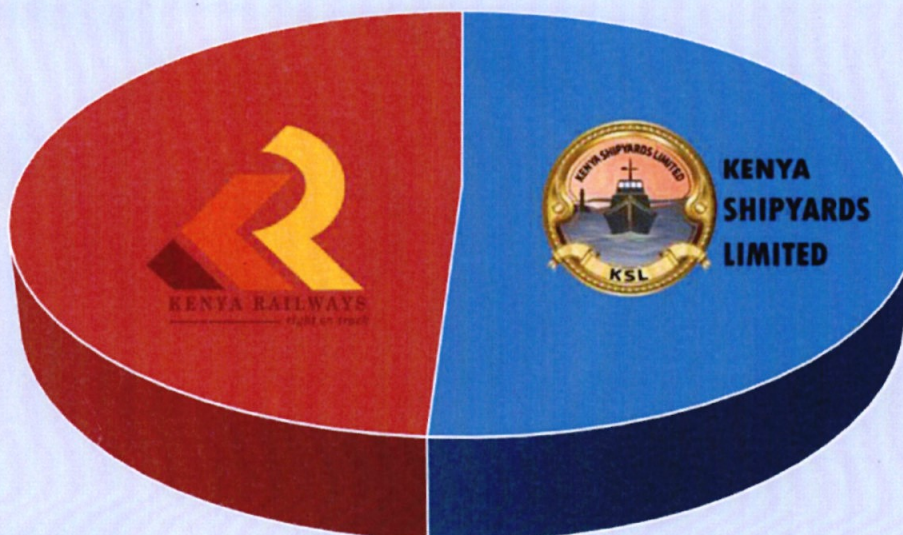
**Comparative Year**- Means the prior period.

## 2. Key Entity Information

### a) Background information

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

### Shareholding



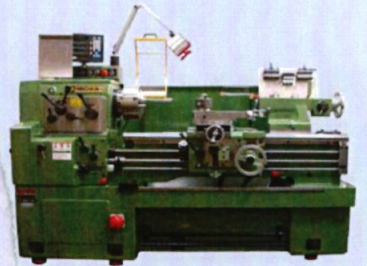
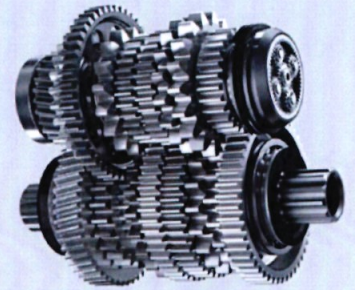
■ Kenya Shipyard ■ Kenya Railways

### b) Principal Activities

The principal activities of Numerical Machining Complex Limited include:

- i. **CNC Machining:** Utilizing advanced Computer Numerically Controlled (CNC) machines for precision milling, turning, and gear shaping.
- ii. **General Fabrication:** Engaging in metal fabrication processes to create various structures and components.
- iii. **Machinery and Machine Tools Production:** Manufacturing a diverse array of machinery, machine tools, and industrial parts.

- iv. **Foundry Works:** Operating a foundry for both ferrous and non-ferrous metals, complemented by a metallurgical laboratory for material testing.
- v. **Engineering Services:** Offering specialized mechanical engineering services, including design and production of high-quality spares and automotive parts.
- vi. **Traning and Software Reselling:** Acting as a reseller and trainer for Autodesk engineering design software, enhancing the skills of professionals in the manufacturing sector.



**Rolling Machine**

v



**Induction Hardening Machine**

**c) DIRECTORS**

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

	<b>NAME</b>	<b>POSITION</b>	<b>APPOINTED DATE</b>
1.	<b>Mr. Abdi Bare Duale</b>	Chairman	Appointed on 5 <sup>th</sup> February 2024.
2.	<b>Mr. George Makateto</b>	Ag. Managing Director	Appointed on 28 <sup>th</sup> February 2023.
3.	<b>Mr. Douglas Manyara</b>	Alternate to Principal Secretary, National Treasury	Appointed on 6 <sup>th</sup> July 2020
4.	<b>Mr. James Nyambune</b>	Alternate to Principal Secretary in the Ministry of Education.	Appointed on 7 <sup>th</sup> August 2015
5.	<b>Ms. Lilian Moraa</b>	Alternate to Principal Secretary, Ministry of Investment, Trade & Industry	Appointed on 28 <sup>th</sup> February 2023.
6.	<b>Mr. Joseph Mutuma</b>	Appointed as an alternate to the PS Ministry of Defence	Appointed on 18 <sup>th</sup> May 2023.
7.	<b>Ms. Yattane T. Duba</b>	Independent Member	Appointed on 28 <sup>th</sup> October 2021.
8.	<b>Mr. Geoffrey Mahinda</b>	Independent Member	Appointed on 28 <sup>th</sup> October 2021.
9.	<b>Eng. Gilbert Arasa, OGW, RCE, FIEK</b>	Appointed as an alternate to the PS Ministry of Roads and Transport – State Department of Roads	Appointed on 15 <sup>th</sup> January 2024. Replaced by Mr. Kennedy Odongo w.e.f 30 <sup>th</sup> August 2024.
10.	<b>Mr. Kennedy Odongo</b>	Appointed as an alternate to the PS Ministry of Roads and Transport – State Department of Transport	Appointed on 30 <sup>th</sup> August 2024.
11.	<b>Mr. Remmy Koech</b>	Appointed as an alternate to the Managing Director Kenya Railways Corporation	Appointed on 22 <sup>nd</sup> April 2022

**d.) CORPORATE SECRETARY**

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

**e.) REGISTERED OFFICE**

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

**f.) CORPORATE HEADQUARTERS**

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

**g.) CORPORATE CONTACTS**

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

**E-mail:** [enquiries@nmc.go.ke](mailto:enquiries@nmc.go.ke)

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

**H.) CORPORATE BANKERS**

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

**I.) INDEPENDENT AUDITORS**

Auditor-General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**J.) PRINCIPAL LEGAL ADVISERS**

The Attorney General

State Law Office and Department of Justice



Harambee Avenue



P.O. Box 40112



City Square 00200



Nairobi, Kenya




**3. The Board of Directors**



SN	DIRECTORS	DETAILS
1.	 <p><b>Lt. Gen John Mugaravai Omenda</b> MGH EBS SS OGW 'rcds' (UK) 'psc'(K)</p>	<p>Lieutenant General John Mugarava Omenda MHG EBS SS OGW 'rcds' (UK) 'psc' (K) is the Vice Chief of the Defence Forces and a Director at the Kenya Shipyards Limited. He is also the Vice Chairperson of the Council of the National Defence University - Kenya. He has extensive experience and knowledge in public sector administration and strategic policy making. He has served as the Commander Kenya Air Force.</p>
2.	 <p><b>Mr. Abdi Bare Duale</b> MBA International Trade, Bachelors in Business Management</p>	<p>Mr. Abdi was born 01/01/1962 and the current Managing Director of Medica Chemicals Ltd. He is a transformative leader and experienced business executive with demonstrated experience in starting up and running successful enterprises. He has extensive technical knowledge in manufacturing, supply chain management, and managing large-scale budgets and operations.</p> <p>He has served as chairman of KETRACO and Kenya Leather Development Council and board members of KEBS.</p>

3.	 <p><b>Mr. Remmy Koech</b> MBA, BCom Accounting</p>	<p>Mr. Koech was born 09/01/1969 and is an alternate Director to Kenya Railways Managing Director.</p> <p>He has 30 years' work experience, 22 of which have been in the internal audit function. He has served in several management positions for the last 15 years, 11 of which have been with Kenya Railways</p>
4.	 <p><b>Mr. Douglas Manyara</b> Master of Arts in Economics (MA Economics) and Master of Business Administration (MBA)</p>	<p>Mr. Manyara was born 15/02/1982 and alternate Director to the PS/ National Treasury and Planning.</p> <p>He has over 10 years' experience in Research, Policy formulation and Analysis, Budgeting, Project Planning and Appraisal, Resource Mobilization and Monitoring and Evaluation</p>




5.	 <p><b>Eng. Gilbert Arasa, OGW, RCE, FIEK</b> <b>Bachelor's Degree in Civil Engineering.</b> <b>Registered professional and Consulting</b> <b>Engineer.</b> <b>Fellow and Member of IEK and EEF</b></p>	<p>Eng. Arasa was born 02/08/1966 and he joined the Board in June 2023 as alternate Director to Principal Secretary/Ministry of Roads and Transport. He is a member of the Finance and Technical Committee.</p> <p>He has previously served as the Registrar/Chief Executive Officer of the Engineers Board of Kenya (EBK) from 2006 – 2014, Ag. Director General for KURA.</p> <p>He has also served as a Board Member for the Kenya National Highways Authority (KeNHA), Kenya Rural Roads Authority (KeRRA), the Engineers Board of Kenya (EBK), Board of Management in the Kenya Institute of Highways and Building Technology (KIHBT)</p>
6.	 <p><b>Mr. James Nyambune</b> Bachelor of Technology in Education, Masters of Philosophy in Technology Education</p>	<p>Mr. Nyambune was born 20/05/1965 and was appointed to the Board on 7<sup>th</sup> August 2015 as alternate Director to Principal Secretary/Ministry of Education.</p> <p>He is the Chair of the Finance and Technical Committee and a member of the Human Resource Committee.</p> <p>He was appointed to the Board on 7<sup>th</sup> August 2015 as an alternate to the PS in the Ministry of Education.</p>

7.	 <p><b>Ms. Lilian Moraa</b> Holds an LLB in Law from Makerere and a Diploma in Law from the School of law. Currently pursuing a Master's Degree at the University of Nairobi</p>	<p>MS. Moraa was born 05/04/1974 and was appointed to the Board on 28<sup>th</sup> February 2023 as an alternate Director Principal Secretary/Ministry of Investments, Trade and Industry. Currently heading the legal unit at the State Department of Industry. Has wealth of legal knowledge and has worked with various government sectors.</p>
8.	 <p><b>Ms. Yattane T. Duda</b> Holds a Masters Degree in Management and a bachelors of Arts, Economics &amp; Sociology.</p>	<p>Ms. Yattane was born 18/04/1974 and was appointed as an independent Director On 28<sup>th</sup> October 2021. She is a member of the Finance and Technical Committee and Chairman of the Human Resource Committee. She is a strategist with over 15 years' experience and has been instrumental in developing policies and plans designed to achieve organizations objectives.</p>




9.	 <p><b>Mr. Geoffrey Mahinda</b> Bachelor of Commerce degree.</p>	<p>Mr. Mahinda was born 09/12/1957 and was appointed as an independent Director On 28<sup>th</sup> October 2021.</p> <p>He is the Chairman of the Audit Committee.</p> <p>He is a businessman with extensive experience in the private sector, public sector and broad experience for effective and efficient delivery of services.</p>
10.	 <p><b>Mr. Joseph Mutuma</b> MBA Finance, B.Com Accounting option, CPA-K, Member of ICPAK</p>	<p>Mr. Mutuma was born 09/04/1972 and he joined the Board on 18<sup>th</sup> May, 2023 as alternate Director to the Principal Secretary/Ministry of Defence. He has over 28 years of experience with in-depth knowledge of procedures and practices relating to budget formulation, preparation, execution, monitoring and reporting.</p>
11.	 <p><b>Odongo Kennedy Otieno</b> MBA Finance, Bachelor of Business Management, CPA-K, Member of ICPAK</p>	<p>CPA Odongo Kennedy Otieno was born 29/08/1983 and is a seasoned financial management professional with over 16 years of experience in public finance, financial accounting, and reporting. He holds a Master's degree in Business Administration (Finance) and a Bachelor's in Business Management.</p>




12.	 <p><b>Mr. George Makateto</b> <b>Ag. Managing Director</b></p> <p>He holds MPhil in Technology Education (Automotive Engineering) and Bachelor of Technology Education (Automotive Option). He also holds a Kaizen certification, ISO Certification EIA Renewable energy &amp; RIO- SIYB.</p>	<p>Mr. Makateto was born 06/03/1970 years old and was appointed the Ag. Managing Director in February 2023. He has worked as the Director of Industry/Engineering at the Ministry of Investments, Trade and Industry and Snr. Technical Advisor to the Cabinet Secretary.</p>
13.	 <p><b>CS. Susan Mungai,</b> <b>Ag. Company Secretary</b></p> <p>MBA in Strategic Management (USIU), Bsc. IBA in Marketing &amp; Entrepreneurship (USIU), CPS (K) and a Diploma in Human Resource Management (Kenya Poly).</p>	<p>Susan is the Ag. Company Secretary and a Member of ICS M/No. 2031. She has over 11 years' experience handling Board matters and strategy.</p>



**4. Key Management Team**

SN	MANAGEMENT	DETAILS
1.	 <b>George Makateto</b> MPhil in Technology Education (Automotive Eng.), Bachelor of Technology Education (Automotive Option)	Ag. Managing Director
2.	 <b>Eng. Zachariah Magundu</b> Msc Mech. & Aerospace Engineering, Bsc. Manufacturing Engineering	Research and Development Exited 31 <sup>st</sup> January, 2025
3.	 <b>CPA Patrick Kariuki</b> MBA (Finance & Accounting), BBM (Accounting), CPAK and CPS (Finalist).	Finance and Accounts
4.		Maintenance

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

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

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

	 <p><b>Fabius Muendo</b> Bachelors of Science in Mechanical Engineering</p>	Production Planning
14.	 <p><b>Dixon Ndaguatha Mwangi.</b> Diploma Mechanical Engineering</p>	Foundry



**Suspension Bracket**

## 5. Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

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



XX



Wagon Saddles

## **6. Fiduciary Oversight Arrangements.**

---

### **a) Audit and Risk Committee of the Board.**

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

This committee typically:

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

### **b) Finance Committee of the Board**

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

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

### **c) Public Finance Management Committee**

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

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

**d) Budget Implementation Committee**

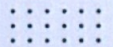
The **Budget Implementation Committee** is responsible for ensuring that the approved budget is executed as planned and that resources are allocated effectively throughout the fiscal year. Key functions include:

- Monitoring the implementation of the budget, including tracking expenditures and revenues.
- Identifying and addressing any variances between budgeted and actual financial performance.
- Coordinating with various departments to ensure alignment with budgetary goals and objectives.

Reporting on budget execution progress and recommending corrective actions if necessary.



Your Partner in Engineering  
Solutions



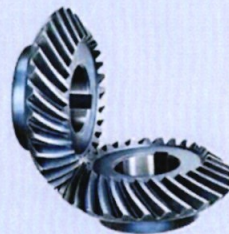
**Industrial Spares**



**Gear Shaft**



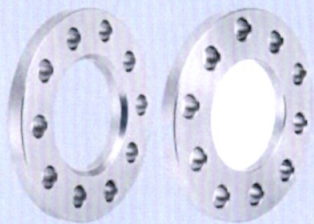
**Spur Gears**



**Helical Gears**



**Pulley**



**Wheel Spacers**



**Suspension Brackets**



**Brake Drums**



**Gear Shafts**



## **7. Chairman's Statement**

---



Over the years, NMC has built a robust infrastructure and implemented a strong corporate governance framework both essential to achieving the company's strategic objectives. As I reflect on the past year, I am filled with pride and gratitude for how far we have come despite the uncertainties faced and FY2024/2025 was not without its challenges.

We operated in a difficult business environment this year, marked by uncertainty surrounding the company's future, including the announcement of dissolution or divestiture. This period of instability had a direct impact on our operations. Understandably, many of our suppliers were hesitant to continue doing business with us, and new customers were reluctant to commit to long-term contracts. The uncertainty made it challenging to plan ahead, disrupted our supply chain and limited our ability to grow our customer base. As a result, our overall performance was affected.

### **Revenue**

During the financial year 2024/2025, the company did not receive any development grant from the Government. In addition, we received Kshs.80million in recurrent funding significantly lower than the budgeted amount of Kshs.181.4million. This shortfall put pressure on our operating budget and directly impacted staff emoluments.

Despite these financial constraints, the company managed to generate Kshs.147 million in sales revenue. While this fell short of our target of Kshs.190 million, it was a testament to the team's resilience and commitment under difficult circumstances.

### **Board of Directors**

During the financial year, the Board of Directors was unable to convene in the third and fourth quarters due to a lack of quorum. This was primarily because the term of the independent directors had lapsed, and their replacements were not appointed. As a result, key meetings

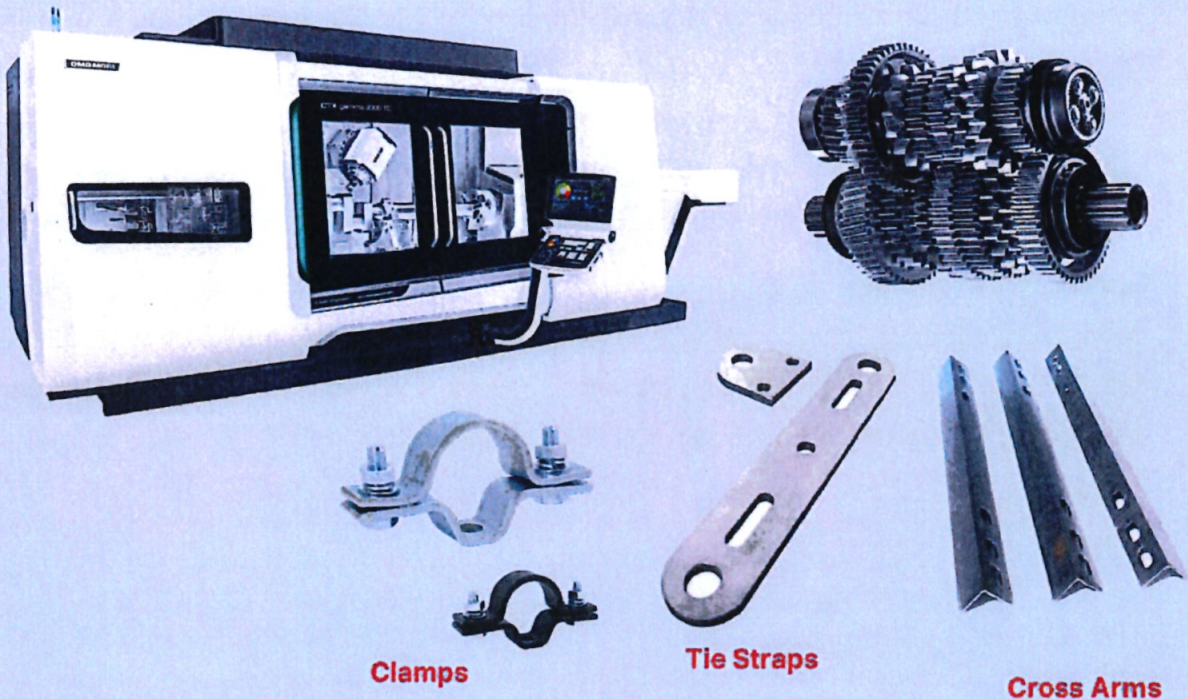
directors had lapsed, and their replacements were not appointed. As a result, key meetings particularly those intended to review and discuss management reports had to be postponed. This gap in board oversight impacted timely decision-making and progress on several governance matters.

**Conclusion**

While the financial year 2024/2025 presented a number of difficult challenges from funding shortfalls and market uncertainty to governance disruptions we remained focused on keeping the company operational and moving forward. It wasn't an easy year, but it was one that tested and proved our resilience.

Looking ahead, we are committed to rebuilding confidence, strengthening governance, restoring operational stability, and positioning the company for long-term sustainability. With the right support and renewed focus, we believe the coming year will be a turning point that reflects not just where we have been, but where we are determined to go.

Lt Gen John Mugaravai Omenda  
MGH EBS SS OGW 'rcds' (UK) 'psc' (K)  
**Chairman of the Board**



## **8. Report of the Managing Director**

---

### **Introduction**



It is my pleasure to share with you the financial report for the year ending 30<sup>th</sup> June 2025. This year brought its share of challenges, but our team demonstrated remarkable resilience, staying focused on our mission to deliver quality and serve our customers with commitment. One of the most significant challenges we faced was the government's decision to dissolve or divesture the company. Once this information entered the public domain, it had an immediate and adverse effect on our operations.

Understandably, many of our suppliers became hesitant to engage with us due to the uncertainty, fearing potential risks to their investments. Likewise, some customers were reluctant to commit to new orders, further impacting our ability to operate at full capacity.

### **Business Performance**

During the year under review, the company recorded sales revenue of Kshs.147 million, against a target of Kshs.190million. While this fell short of our projections, it represents a commendable performance given the difficult operating environment marked by funding constraints and supplier hesitancy driven by organizational uncertainty.

The company had projected a profit of Kshs.1.3 million from the execution of the Kenya Power contract valued at Kshs.746million. However, due to persistent supply chain disruptions, full execution of the contract was not achieved by year-end. As a result, work in progress stood at Kshs.768.9 million as of 30<sup>th</sup> June 2025.

### **Operating Expenditure**

During the year under review, the organization operated within the budgeted expenditure of Kshs.370,407,011 Government support toward recurrent expenditure amounted to Kshs.80 million, which was below the budgeted allocation, further impacting operational capacity during the year.

### **Corporate Social Responsibility**

During the year, the company continued to implement the Presidential Directive on growing of 15 billion trees by 2032. In FY2024/2025, the company managed to grow 10,400 trees in Bungoma, Machakos, Embu, Narok and Nairobi counties.

### **Achievements**

During the year under review, the following were achieved;

- (i) Successfully negotiated and signed a contract with Kenya Power valued at Kshs.746 million. This agreement covers the supply of high, medium and low-voltage steel fittings, an important step in reinforcing our position as a trusted partner in the energy sector.
- (ii) To support the production of the Kenya Power contract, we made strategic investment in our manufacturing capabilities. We acquired two advanced machines: a CNC flat strip shearing and forming machine, and a hydraulic CNC angle line punching, shearing, and notching machine. The investment demonstrates our continued commitment to operational efficiency and product quality.
- (iii) As part of our commitment to continuous improvement and professional development, the organization invested in a wide range of training programs aimed at enhancing staff skills and capacity across departments. These initiatives included training in supervisory skills, occupational health and safety (OHS), ethics in public procurement, first aid and fire marshal, retirement planning, tax compliance and financial reporting.

In addition, targeted programs were offered for specialized roles, including an executive secretary course, a master class on Global Internal Audit Standards, and training for members of the Human Resource Management Advisory Committee (HRMAC).

### **Looking Forward**

Despite the challenges faced, we remain optimistic about the future and confident that a path forward exists. Our focus in the coming year will be on three key priorities:

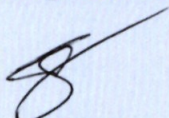
- **Rebuilding stakeholder confidence** by fostering transparency, open communication, and consistent performance
- **Improving operational efficiency** to better serve our customers and optimize resource use

- **Strengthening financial base** through the pursuit of new strategic partnerships and opportunities
- **Governance** – We are committed to ensuring that the board of directors is properly constituted, functioning effectively and aligned with best governance practices.

These priorities will guide our efforts as we work to rebuild, refocus and deliver on our mission with renewed purpose.

**Appreciation**

I wish to extend my heartfelt appreciation to all our employees for their dedication, to the Board of Directors, Ministry of Investments, Trade & Industry for their guidance. We further appreciate our customers and suppliers for standing by us. Together, we can turn the challenges of this past year into the foundation for a stronger future.



George Makateto

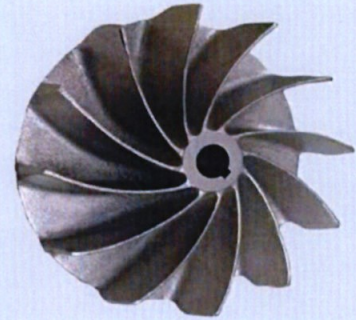
**Ag. Managing Director**

## 9. Statement of Performance against Predetermined Objectives for FY 2024/25

NMC is expected to play a key role in driving the country's manufacturing and industrialization agenda in line with Bottom-up Economic Transformation Agenda (BETA) and the Vision 2030. During the period, the company focused on key strategic goals, objectives and initiatives as guided by the Strategic Plan 2023-2027. The strategic pillars represented the focal points within which NMC anchored its transformation journey for the period.

These were strategic pillars that NMC implemented to achieve its mandate:

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



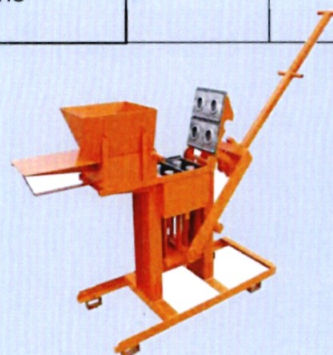
During the period, NMC developed an annual work plan grounded on the above five pillars. An evaluation of NMC's performance against the annual work plan was done on a quarterly basis. The performance against targets set for the FY 2023/24 is as indicated in the table below: -

Strategic Pillar	Objective	Key Performance Indicators	Activities	Targets	Achievements
<b>Development and production of locally produced engineering parts and machinery.</b>	To Manufacture automotive, locomotive and motorcycle components and parts.	Number of automotive, locomotive and motorcycle parts manufactured	Manufacture of automotive, locomotive and motorcycle parts	6300	2844
	Enhance the design and production of Machine tools.	Number of machines manufactured	Develop and manufacture of machinery	36	32
	Enhance production of railway rolling stock components	Tons of casting	Casting of foundry products	150	92.57
	Production of industrial and transmission parts in support of sustainability of existing industries.	Number of industrial parts manufactured	Manufacture of steel industrial parts	350,000	280,186
	Enhance the Research and Development arm of NMC	No. of equipment and training	Acquiring of R&D equipment	1	0

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

	Modernization of Foundry and CNC Workshop	Completion rate (%)	Rehabilitation of foundry and CNC Workshop	39.68	37.2
<b>Strengthen NMC's institutional Capacity</b>	Strengthen governance frameworks.	No. of policies	Formulation of policies.	0	0
	To promote a positive corporate image and brand visibility	No. of advertisement and exhibition attended	Undertook advertisement and exhibitions	4	2
	To have a versatile, highly performing and motivated workforce.	Undertake performance appraisals	Adopt results-based performance management.	1	1
	To achieve operational excellence	Implement Enterprise Resource Planning (ERP)	Automation and integration of processes	1	0
		Implement of Kaizen and 5 S	Implement a comprehensive Continuous improvement program (Kaizen)	75%	75%
	To leverage on information, communication technology	Number of Partnerships and collaborations	Collaboration with engineering software developers	1	1

<b>To achieve Comprehensive Sustainability</b>	To mobilize resources to finance NMC operations and growth initiatives	Percentage of funds allocated against how much was requested.	Bidding for resources.	181.4 M	80M
<b>To Achieve Excellence in Service Provision</b>	Enhance customer relations and engagement	Customer Satisfaction index (%)	Undertaking Customers satisfaction survey	Increase to 75% from previous index	Customer satisfaction 62% index
	Enhance Compliance with Local and International quality standards.	Number of Certifications	Pursue certification of NMC products and processes compliance certifications	1	1
<b>Develop linkages with MSMIs and strategic partners.</b>	Develop a comprehensive stakeholder engagement and management strategy.	Number of Stakeholders Engaged	Undertake Engineering capacity building program	1	0
			Undertake Joint Research Projects with universities, learning or research institutions	1	1



## **10. Corporate Governance Statement.**

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

### **Board of Directors**

In the period ending 30<sup>th</sup> June 2025, the Board was made up to eleven (11) members comprising of the Chairman, Managing Director Kenya Shipyard Limited, Managing Director Kenya Railways, alternate Directors for Permanent Secretary/National Treasury, the Permanent Secretary /Ministry of Education, the Permanent Secretary /Ministry of Transport & Infrastructure, the Permanent Secretary /Ministry of education, Head of Public Service & Chief of Staff ,the Managing Director/NMC and two (2) independent directors of various backgrounds.

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

### **Board Changes**

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

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

Name of Director	Board Position	Board Committees				
		Human Resour ce	Audit & Risk	Fin anc e	Techn ical	Lan d Ad- hoc
<b>Capt. (Rtd.) Muhumed Abdi Mohamed</b>	Chairman  (Exited 5/2/24)				Chair	
<b>Major Gen. Paul Otieno</b>	MD/ Kenya Shipyard Ltd.  Vice Chairman				Vice Chair	
<b>Ms. Lillian Moraa</b>	Alternate to PS, Ministry of Investment, Trade and Industry			√		
<b>Mr. James Nyambune</b>	Alternate to PS Ministry of Education			√		√
<b>Mr. Joseph Mutuma</b>	Alternate to PS Ministry of Defense			Ch air		
<b>Ms. Yattanne Duba</b>	Independent Member	Chair				
<b>Mr. Geoffrey Mahinda</b>	Independent Member		Chair			
<b>Mr. Remmy Koech</b>	Representing the MD/Kenya Railways Corporation		√			
<b>Mr. Douglas Manyara</b>	Alternate to PS Ministry of Defense		√			
<b>Eng. Gilbert Arasa OGW, RCE, FIEK</b>	Alternate to PS Ministry of Roads (W.e.f. 15/1/24) Replaced w.e.f ..... by Mr. Kennedy Odongo				√	

<b>Mr. Kennedy Odongo</b>	Alternate to PS Ministry of Transport (W.e.f. ....)					
<b>Ms. Mary Kimonye</b>	Representing to Chief of Staff & HOPS	√				

**Board Meetings**

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

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

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

**No. of Board Meeting Held and Attendance**

The Board held two (2) full Board meetings, five (5) special Board meetings and Board Committee meetings during the year in review as below:

NO	NAME OF MEMBER	DESIGNATION	DEPARTMENT	SPECIAL BOD MEETING 04/07/24	FINANCE & TECHNICAL 29/07/24	RISK & AUDIT 30/07/24	BOD EVALUATION 31/07/24	HR COMMITTEE 31/07/24	ADHOC COMMITTEE 02/08/24	SPECIAL BOD MEETING 07/08/24	BOD MEETING 02/09/24	FINANCE/ TECHNICAL & RISK/AUDIT 19/09/24
1.	ABDI BARE DUALE	CHAIRPERSON	KENYA RAILWAYS CORPORATION	√			√					
2.	JAMES NYAMBU NE	ALTERNATE MEMBER	MINISTRY OF EDUCATION	√			√	√	√	√		
3.	YATTAN E DUBA	MEMBER	INDEPENDENT MEMBER	√	√		√	√	√	√	√	√
4.	GEOFFREY MAHINDA	MEMBER	INDEPENDENT MEMBER	√		√	√		√	√	√	√
5.	LILIAN MORAA	ALTERNATE MEMBER	MINISTRY OF INVESTMENTS, TRADE & INDUSTRY	√	√		√			√	√	√
6.	MARY KIMUNYA	ALTERNATE MEMBER	CHIEF OF STAFF & PUBLIC SERVICE									
7.	DOUGLAS MANYARA	ALTERNATE MEMBER	THE NATIONAL TREASURY & PLANNING	√		√	√			√	√	√
8.	REMMY KOECH	ALTERNATE MEMBER	KENYA RAILWAYS CORPORATION			√	√			√	√	√
9.	JOSEPH MUTUMA	ALTERNATE MEMBER	MINISTRY OF DEFENCE		√							
10.	GILBERT M. ARASA	ALTERNATE MEMBER	MINISTRY OF ROADS & TRANSPORT	√	√		√			√	√	



### **Succession Planning**

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

### **Existence of a Board Charter**

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

### **Process of Appointment and Removal of Directors**

Appointment and removal of Directors are made in line with legal and statutory requirements i.e. the Constitution of Kenya 2010, NMC Memorandum and Articles of Association and the State Corporations Act. The appointment takes into consideration the mix of skills and competencies required for the achievement of the Company's long-term goals.

### **Roles and Functions of the Board**

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

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

### Induction and Training

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

### Board and Member Performance

The Board undertakes an annual self-assessment for continuous growth and development of individual members and to enhance collective performance. During the year, the Board undertook the annual evaluation assisted by the State Corporations Advisory Committee (SCAC). However, the evaluation results were not transmitted to the Board following NMCs placement as one of the company's in the government reforms and lack of full constitution of the Board.

### Conflict of Interest

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

### Board Remuneration

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

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

### Details of Directors' emoluments during the year are shown below

No	Allowance	Chairman	Board Members
1	Honoraria	Kshs.80,000	N/A
2	Sitting	Kshs.20,000 per sitting	Kshs.20,000 per sitting

No	Allowance	Chairman	Board Members
3	Airtime (mobile)	5,000 per month	N/A
4	Lunch	Kshs.2,000 per day	Kshs.2,000 per day
5	Transport	Determined by prevailing guideline, National Treasury Circular 2015 paid at prevailing AA of Kenya rates	
6	Personal Accident Cover (not life)	Procured competitively	
7	Medical Expenses	Inpatient Kshs.2million per annum. Outpatient Kshs.100,000 per annum and last expense (self) Kshs.100,000.	

#### **Ethics and Conduct**

The Board ensures all Board members subscribe to the Code of Ethics and Conduct promoting ethical conduct and sanctions of misconduct.

#### **Governance Audit**

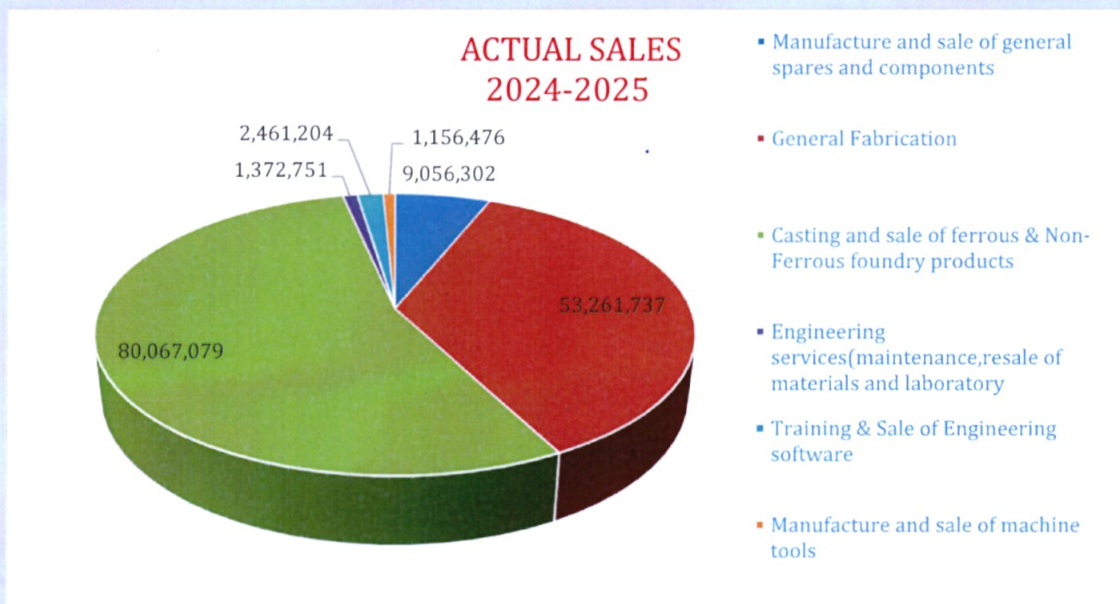
The governance audit was not conducted during the period in review.

## 11. Management Discussion and Analysis

### Operational Performance

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

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

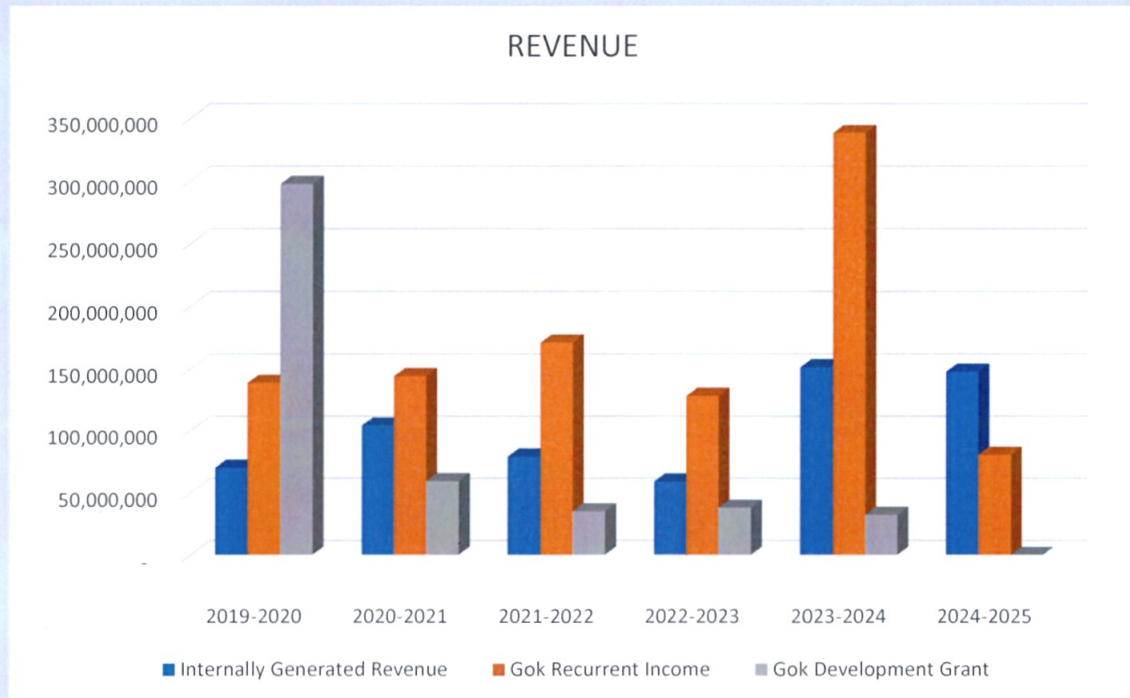


### Financial Performance

During the year under review the company's turnover decreased by 4% to stand at Kshs.147M from Kshs.153M reported in the FY 2023/2024. The decline in sales was attributed by delay in raw material supply and also cash flow shortage.

NMC total revenue for the year ended 30th June 2025 was Kshs.227 million. This represents a decrease of 33% compared to revenues received in the Financial Year 2023-2024.

NMC received a recurrent grant of Ksh. 80,000,000 which was a decrease from the previous financial year of Ksh. 338,830,000. We did not receive any development grant in FY 2024/25.



**NMC's key projects or investments decision implemented or ongoing.**

The company has a key project of Modernization of Foundry and CNC workshop whose estimated cost is Kshs.1.788B. Currently we have received Kshs.661.77m culminating to a project completion of 37.02%. During the year under review we did not receive funding for the same project thus delaying completion date of the project.

**NMC's compliance with statutory requirements**

The company had a balance of Kshs.18,164,604 of statutory obligations.

**Major Risks Facing the Organization**

**i. Operation risks**

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

- a. Failure to automate our processes.

- b. Inadequate human capital with required skills and competences.
- c. Delayed processes due to lack of materials.

**ii. Financial Risks**

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

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

**iii. Strategic Risks**

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

**iv. Market Risk**

This risk is associated with change of market prices which includes

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

**Material Arrears in Statutory and Other Financial Obligations.**

NMC has no material arrears but has financial obligations to creditors who had not been paid by the closure of the financial year of Ksh.128,077,959

**Review of the economy**

Kenya's GDP expanded by 4.7% in the calendar year 2024 down from 5.7% in 2023. The Country's economy has been greatly affected by the depreciation of Kenya shillings which affected the prices of goods & services and the effects of floods. Despite the challenge, the Gross Domestic Product (GDP) grew by 5.6% in 2023 compared to a revised growth of 4.9% in 2022. The positive growth was notable across most sectors of the economy and was mainly driven by rebound in agricultural activities that

contracted in 2022. In 2024, the economy is expected to grow at a slower pace of 5.4%.

### Sector Contributions

- **Agriculture, Forestry & Fishing:** grew ~4.6%, contributing ~22.5% to GDP
- **Manufacturing:** value-added rose ~2.8%, but its GDP share dipped to ~7.3–8.0%
- **Services:** strongest performer—Financial & Insurance (~7.6%), Transport & Storage (~4.4%), Real Estate (~5.3%)
- **Construction:** contracted by ~0.7
- **Mining & Quarrying:** down ~9.2% due to declining output in minerals and gemstones.

The **World Bank** projected slower growth at **~4.5% for 2025**, citing debt burdens, tight credit, and interest rates crowding out private activity

While inflation is under control and monetary policy is supportive, Kenya's economy is constrained by weak revenue mobilization, high debt servicing, and limited private sector financing. Growth is expected to lift slightly in 2025 if financial conditions improve—but risks remain elevated.

### Manufacturing Sector

Though the manufacturing sector grew modestly in FY 2024/25, its share in the economy is shrinking. Growth is skewed towards food processing. Major hurdles—credit scarcity, high costs, regulatory unpredictability, and unfair competition—continue to erode its performance and investor sentiment. However, targeted reforms, potential policy support, and select subsector opportunities may help revive the sector in 2025.

### Future developments

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

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

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

While inflation is under control and monetary policy is supportive, Kenya's economy is constrained by weak revenue mobilization, high debt servicing, and limited private sector financing. Growth is expected to lift slightly in 2025 if financial conditions improve—but risks remain elevated.

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

---

Numerical Machining Complex Ltd (NMC), a state-owned enterprise at the heart of Kenya's industrial transformation, delivers engineering solutions in steel production, CNC machining, metal casting, and machinery manufacturing, powered by advanced CAD/CAM and metallurgical capabilities. Driven by a robust sustainability agenda aligned with the SDGs, national climate goals, and circular economy principles, NMC's operations are built on five pillars: circular production through scrap metal recycling, operational excellence using ISO 9001:2015 certification, investment in modern infrastructure, inclusive stakeholder value through local sourcing and job creation, and social impact through gender equality and MSME empowerment. Through this integrated approach, NMC is evolving into a modern, responsible public manufacturer committed to environmental stewardship, social inclusion, and long-term economic sustainability.

### **i) Sustainability strategy and profile**

In the 2024/2025 financial year, NMC reinforced its leadership in sustainable manufacturing by embedding environmental responsibility, innovation, and social inclusion into its operations. Aligned with national priorities and key SDGs, the company achieved notable milestones, i.e. recycling over 60 tonnes of copper scrap from Kenya Power, adopting energy-efficient technologies, and awarding 40% of contracts to local suppliers and 30% to AGPO firms. Through scrap recycling, youth training, and adaptive sourcing, NMC demonstrated its commitment to purpose-driven industrial growth rooted in integrity and sustainability.

### **ii) Environmental performance**

During the reporting period, NMC advanced its commitment to sustainable industrialization by embedding environmental stewardship into its operations, guided by the National Environment Policy. The company achieved key milestones such as recycling over 150 tonnes of scrap metal, including copper wires from Kenya Power into usable components, participating in national tree planting drives across five counties, and training over 100 employees in industrial safety and environmental awareness. These efforts led to the production of eco-friendly products and enhanced compliance and resource utilization efficiencies.

**iii) Employee welfare**

During the reporting period, NMC prioritized employee welfare by fostering a safe, inclusive, and equitable workplace through merit-based hiring, diversity promotion, and strong talent retention strategies. The company empowered youth via internship programs, supported staff with disabilities, and ensured OSH compliance through safety training and inspections. Wellness initiatives including medical cover, financial literacy, and counseling boosted employee engagement, retention, and productivity.

**iv) Market place practices**

(a) Responsible competition practice

During the reporting period, NMC reinforced its commitment to ethical competition and good governance by upholding fair tendering, rejecting anti-competitive practices, and ensuring full compliance with anti-corruption laws. Through continuous ethics training, strong internal controls, and a confidential whistleblower platform, NMC promoted accountability, protected its reputation, and advanced its mission of delivering quality, innovation, and transparency in Kenya's public manufacturing sector.

(b) Responsible supply chain and supplier relations

During the reporting period, NMC demonstrated its commitment to a responsible and ethical supply chain by fostering transparent, fair, and sustainable supplier relationships in full compliance with the Public Procurement and Asset Disposal Act, 2015. Through rigorous vetting and due diligence, NMC emphasized quality, ethical sourcing, and environmental responsibility while prioritizing local manufacturers and MSMEs under the Buy Kenya, Build Kenya policy. These efforts not only supported industrial growth and job creation, but also ensured cost-effectiveness, quality inputs and reinforced accountability across the supply chain, positioning NMC as a model of responsible public procurement.

(c) Responsible marketing and advertisement/Responsible engagement with the citizens

During the reporting period, NMC maintained responsible and legally compliant marketing and public engagement by ensuring transparent, accurate communication aligned with internal policies and national laws. Through visits, forums, trade fairs, media, and digital platforms, the company promoted awareness of its industrial role,

engaged citizens respectfully, and strengthened public trust, transparency, and accountability in the process.

(d) Product stewardship or/awareness creation

During the reporting period, NMC implemented a proactive product stewardship strategy to ensure all products met safety, quality, and regulatory standards across their lifecycle, beginning with rigorous pre-market compliance testing during design and development. This approach enhanced product safety, reduced the risk of recalls, improved export readiness, and strengthened customer protection. Through this strategy, NMC reinforced its commitment to quality assurance and regulatory compliance, solidifying its reputation as a trusted manufacturer in local and regional markets.

**v) Corporate social responsibility/community engagements**

During the reporting period, NMC advanced its Corporate Social Responsibility agenda by supporting targeted social programs and promoting environmental stewardship in line with BETA values and national development goals. Key initiatives included sponsorships and participation in nationwide tree planting exercises in Bungoma, Narok, Embu, Machakos, and Nairobi's Langata Barracks, contributing to the Presidential Directive on achieving 15 billion tree cover and reinforcing NMC's commitment to inclusive growth and sustainable development.

**13. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended 30th June 2025 which show the state of the company's affairs.

**(i) Principal activities**

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

**(ii) Results**

The results of the company for the year ended 30th June 2025 are set out on page one (1). During the year, the company made a loss of Kshs.176,366,745 during the FY 2024/2025 compared to a loss of Kshs.1,371,828 in the FY 2023/2024.

**(iii) Directors**

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

**(iv) Auditors**

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

By Order of the Board

SUSAN MUNGAI

**CS. Susan Mungai**

[Signature]

**Signature**

4/12/25

**Date**

#### **14. Statement of Directors' Responsibilities**

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

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

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

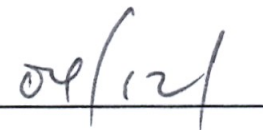
Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act)

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

Nothing has come to the attention of the Directors to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The *entity's* financial statements were approved by the Board on \_\_\_\_\_  
2025 and signed on its behalf by:







**Name: Lt Gen John Mugaravai Omenda**

**Name: George Makateto**

**MGH EBS SS OGW 'rcds' (UK) 'psc' (K)**

**Accounting officer**

**Chairman of the Board**

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON NUMERICAL MACHINING COMPLEX LIMITED FOR THE YEAR ENDED 30 JUNE, 2025**

---

### 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 Numerical Machining Complex Limited set out on pages 1 to 50, which comprise of the statement of financial position as

at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Numerical Machining Complex Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Investment Property**

The statement of financial position reflects property, plant and equipment balance of Kshs.17,499,047,317 as disclosed in Note 13 to the financial statements which includes Kshs.17,000,000,000 for land. However, the following observations were made:

#### **1.1 Long Outstanding Debtors**

As previously reported, the Government of Kenya in 1994 allocated the Company land measuring approximately 703.59 hectares in Movoko, Athi River. In 2001, the Company with the consent of the Government sold part of the land measuring 242.89 hectares to individuals and other entities whose titles deeds have not been wholly processed and released. The Company continued to pay rates based on the original title deed up to 2009. Further, a net amount of Kshs.6,640,310 due from individuals has remained unpaid since 2001. The recoverability of the debt therefore remained doubtful.

#### **1.2 Encroachment of Land**

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

#### **1.3 Title Deed not Updated**

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

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

## **2. Long Outstanding Trade and other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.85,310,630 as disclosed in Note 15 to the financial statements. However, review of the trade and other receivables' records revealed that the imprest register reflects an amount of Kshs.4,174,413 relating to outstanding imprest out of which Kshs.1,257,062 relates to unrecovered salary advances from staff who have since left the Company's service.

Further, included in the trade debtors is Rift valley Railways that has a long outstanding debt of Kshs.17,019,282 whose recoverability is doubtful since the organization is no longer in operation.

In the circumstances, the accuracy and recoverability of trade and other receivables of Kshs.18,276,344 could not be confirmed.

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

### **Emphasis of Matter**

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

The statement of profit/loss and comprehensive income reflects loss of Kshs.176,366,745 for the year under review. Further, Management indicate under the statement of Directors responsibilities that the Company will remain a going concern for at least the next twelve months from the date of this statement. However, strategies need to be put in place to mitigate the poor financial performance of the Company.

In the circumstances, the Company is likely to face financial challenges in future if the current situation is not averted.

#### **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.270,350,000 and Kshs.229,112,189 respectively resulting in an under-funding of Kshs.41,237,811 or 15% of the budget.

In the circumstances, the under-collection affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

## **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements. The issues as detailed in **Appendix I** remain unresolved.

## **Other Information**

The Management is responsible for the Other Information set out on page iv to I which comprise of Key Entity Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Director General, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing 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**

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain

assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Conclusion**

As required by the Companies Act, 2015, I report, based on my audit, that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on page xviii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 25 has been properly prepared in accordance with the Companies Act, 2015.

### **Basis for Conclusion**

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to Company's compliance with laws and regulations. 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 and for maintaining effective internal controls as Management determines is necessary to enable

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards 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**

**09 December, 2025**

## Appendix I

### Unresolved Prior Year Matters

No.	Observation
	<b>Basis for Qualified Opinion</b>
1	Inaccuracies on the Grants from the National Government
2	Investment Property
2.1	Long Outstanding Debtors
2.2	Encroachment of Land
2.3	Title Deed not Updated

**16. Statement of Profit and Loss and Other comprehensive income for the year ended 30th June 2025.**

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Revenues</b>			
Revenue from Contracts with Customers	6	147,375,549	153,201,480
Cost of sales	7	(189,114,821)	(243,548,255)
<b>Gross profit</b>		<b>(41,739,272)</b>	<b>(90,346,775)</b>
<b>Other income</b>			
Grants from the national government	8	116,417,658	322,848,095
Other income	9	1,736,640	-
<b>Total revenues</b>		<b>76,415,026</b>	<b>232,501,320</b>
<b>Operating expenses</b>			
Administration costs	10	(239,359,221)	(214,753,960)
Selling and distribution costs	11	(13,422,550)	(16,375,532)
<b>Total operating expenses</b>		<b>(252,781,771)</b>	<b>(231,129,492)</b>
<b>Profit/(loss) before taxation</b>		<b>(176,366,745)</b>	<b>1,371,828</b>
<b>Income tax expense/(credit)</b>		<b>0</b>	<b>(411,548)</b>
<b>Profit/(loss) after taxation</b>		<b>(176,366,745)</b>	<b>960,279</b>
<b>Earnings per share – basic and diluted</b>		<b>0</b>	<b>0</b>
<b>Dividend per share</b>		<b>0</b>	<b>(48,014)</b>

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	13	17,499,047,317	17,591,077,184
<b>Total Non-Current Assets</b>		<b>17,499,047,317</b>	<b>17,591,077,184</b>
<b>Current Assets</b>			
Inventories	14	55,753,407	42,578,882
Trade And Other Receivables	15	85,310,630	128,902,136
Bank And Cash Balances	16	62,222,454	79,572,542
<b>Total Current Assets</b>		<b>203,286,491</b>	<b>251,053,560</b>
<b>TOTAL ASSETS</b>		<b><u>17,702,333,808</u></b>	<b><u>17,842,130,744</u></b>
<b>Equity And Liabilities</b>			
<b>Capital And Reserves</b>			
Ordinary Share Capital	17	1,214,024,646	1,214,024,646
Revaluation Reserve	18	17,308,387,541	17,308,387,541
Retained Earnings	20	(1,867,139,134)	(1,690,823,592)
Capital		901,324,165	937,741,823
Proposed Dividends		48,014	48,014
<b>Capital and Reserves</b>		<b>17,556,645,232</b>	<b>17,769,378,432</b>
<b>Non-Current Liabilities</b>			
<b>Total Non-Current Liabilities</b>			0
<b>Current Liabilities</b>			
Trade And Other Payables	21	145,688,576	72,752,312

Numerical Machining Complex Limited


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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Total Current Liabilities</b>		<b>145,688,576</b>	<b>72,752,312</b>
<b>Total Equity and Liabilities</b>		<b><u>17,702,333,808</u></b>	<b><u>17,842,130,744</u></b>

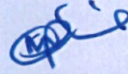
The financial statements were approved by the Board on 04/02/2025 and signed on its behalf by:

  
.....

**Lt Gen John Mugaravai Omenda**  
**MGH EBS SS OGW 'rcds' (UK) 'psc' (K)**  
**Chairman of the Board**

  
.....

**George Makateto**  
**Ag. Managing Director**

  
.....

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

**18. Statement of Changes in Equity for the year ended 30 June 2025**

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
As at July 1, 2023	1,214,024,646	598,387,541	0	(1,798,118,605)	0	966,604,803	980,898,385
Revaluation gain	-	16,710,000,000	-	-	-	-	16,710,000,000
Prior period adjustment				106,382,747			106,382,747
Profit for the year	-	-	-	912,266	-	-	912,266
Capital/development grants received during the year						32,220,000	32,220,000
Proposed Final Dividends					48,014		48,014
Transfer of depreciation/amortization from capital fund to retained earnings			-		-	(61,082,980)	(61,082,980)
At June 30, 2024	1,214,024,646	17,308,387,541	0	(1,690,823,592)	48,014	937,741,823	17,769,378,432
As at July 1, 2024	1,214,024,646	17,308,387,541	0	(1,690,823,592)	48,014	937,741,823	17,769,378,432
Capital Grants Received 2024/2025							
Depreciation on assets bought from capital grants						(36,417,658)	(36,417,658)
NET PROFIT (LOSS) FOR THE YEAR				(176,366,745)			(176,366,745)
Proposed dividend adjustment				(48,014)			(48,014)
Prior Period Adjustment				99,216			99,216
BALANCE AS AT 30TH JUNE 2025	1,214,024,646	17,308,387,541	0	(1,867,139,134)	48,014	901,324,165	17,556,645,232

**19. Statement of Cash Flows for the year ended 30 June 2025**

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	22	27,100,811	121,126,747
Taxation paid			0
<b>Net cash generated from/(used in) operating activities</b>		<b>27,100,811</b>	<b>121,126,747</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(8,033,241)	(14,181,365)
<b>Net cash generated from/(used in) investing activities</b>		<b>(8,033,241)</b>	<b>(14,181,365)</b>
<b>Cash flows from financing activities</b>			
Increase in capital grants		(36,417,658)	(28,862,980)
<b>Net cash generated from/(used in) financing activities</b>		<b>(36,417,658)</b>	<b>(28,862,980)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(17,350,088)</b>	<b>78,082,402</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>79,572,542</b>	<b>1,490,140</b>
<b>Cash and cash equivalents at end of the year</b>	16	<b>62,222,454</b>	<b>79,572,542</b>

**20. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2025**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	A	B	c = a + b	d	E= c - d	d/c%
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Sale of goods	190,000,000	0	190,000,000	147,375,549	42,624,451	78%
Transfers from the government	181,400,000	-101,400,000	80,000,000	80,000,000	0	100%
Other income	350,000	0	350,000	1,736,640	-1,386,640	496%
<b>Total income</b>	<b>371,750,000</b>	<b>-101,400,000</b>	<b>270,350,000</b>	<b>229,112,189</b>	<b>41,237,811</b>	<b>85%</b>
<b>Expenses</b>						
Compensation of employees	184,796,011	-44,796,011	140,000,000	157,132,729	-17,132,729	112%
Use of goods and services	2,625,000	-2,625,000	0	8,973,971	-8,973,971	
Other payments	182,986,000	-52,636,000	130,350,000	275,789,891	140,439,891	211%
Prior Period	0	0	0	0	0	100%
Grants and subsidies paid	0	0	0	0	0	0%
<b>Total expenditure</b>	<b>370,407,011</b>	<b>-180,057,011</b>	<b>190,350,000</b>	<b>441,896,591</b>	<b>-251,546,591</b>	<b>232%</b>
<b>Surplus for the period</b>	<b>1,342,989</b>	<b>0</b>	<b>0</b>	<b>(176,366,745)</b>	<b>-176,366,745</b>	<b>0%</b>
<b>Capital Expenditure</b>	<b>190,000,000</b>	<b>-190,000,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>

**Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2025(continues)**

**1. Sale of goods**

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

**2. Compensation to Staff**

This expenditure is lower by 12% due to budget cut.

**3. Use of Goods**

There was no budgetary allocation for the same. The costs incurred related to securing the company Land at Mavoko

**4. Other costs.**

NMC delivered its AIA from cost of sales there was drastic budget cut which affected its operation the reason why the budgetary allocation was not sufficient to cover its operational costs

**5. Development account**

NMC did not receive development grant in the year under review

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	<b>(176,366,745)</b>
1	Depreciation	100,063,107
2	Prior Year Adjustment	99,216
3	Proposed Divided adjusted FY2023/2024	(48,014)
4	Increase in Inventory	(13,174,524)

*Numerical Machining Complex Limited*

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

5	Decrease in Trade and Other receivables	43,591,507
6	Increase in Trade and Other payables	72,936,264
7	Purchase of property, plant and equipment	(8,033,241)
8	Increase in capital Grant	(36,417,658)
7	Cash at the beginning of the year	79,572,542
	Closing Cash and Cash Equivalent as per the statement of Cash flows	<b>62,222,454</b>

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

### **1. General Information**

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

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

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

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

The financial statements have been prepared on a historical cost basis except for the measurement at 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 judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company, 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.

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

**i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.**

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.  This is applicable for FY 2024/2025
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.  This is not applicable for FY 2024/2025
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</li> </ul>	1 January 2026  This is not applicable for FY 2024/2025

	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.	
--	--	--

*(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. Or the following has been assessed to be significant for the company and has been addressed as follows)*

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

Title	Description	Effective Date
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.  <i>This is not applicable for FY 2024/2025</i>
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.  <i>This is not applicable for FY 2024/2025</i>

*(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).*

**iii. Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

#### 4. Summary of Accounting Policies

The principal 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 Numerical Machining Complex Limited expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Numerical Machining Complex Limited delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from the National Government** are recognized in the year in which the Numerical Machining Complex Limited 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 have been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) **Other income** is recognized as it accrues.

**Summary of Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

**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:

Item	Years	Rates
Freehold Land	Nil	Nil
Buildings and civil works	50	2%
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	5	20%
Computers and related equipment	3	33.33%
Office equipment, furniture and fittings	8	12.5%

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

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

**e) Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**f) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**h) Biological Assets**

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

**i) Right of Use Asset**

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

the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

**j) Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. These bonds are measured at amortized cost/ at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) (Numerical Machining Complex Limited *to amend appropriately based on measurement/ classification*)

**k) Quoted investments**

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

**l) Unquoted investments**

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

**m) 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 or First In First Out (FIFO) (*amend as appropriate*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**n) Trade and other receivables**

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An

estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**o) 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 Numerical Machining Complex Limited operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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

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

**p) 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.

**q) Borrowing costs**

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

borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**r) Cash and cash equivalents**

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

**Restricted cash**

Restricted cash refers to cash and cash equivalent balances that have usage constraints. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity.

**s) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

**t) 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.

**u) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2024. The scheme is administered by an in-house team and is funded by

contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.480 per employee per month.

**v) Provision for staff leave pay**

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

**w) Exchange rate differences**

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

**x) Budget information**

The original budget for FY 40,000,000 was approved by the National Assembly on August 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of 40,000,000 on the FY 24/25 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a

comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

**y) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**z) Comparative figures**

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

**aa) 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, 20xx.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported

amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

**b) Useful lives and residual values**

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

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

**a) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 15.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

Notes to the Financial Statements (Continued)

6. Revenue from contract with customers

Description	2024/2025	2023/2024
	Kshs	Kshs
Manufacture of Machine tools	1,156,476	20,291,165
Casting of ferrous foundry products	80,067,079	9,911,045
Manufacture of general spares & Components	9,056,302	18,519,281
General Fabrication	53,261,737	96,705,127
Training & Sale of Engineering software	2,461,204	7,656,012
Engineering Services	1,372,751	118,850
<b>Total</b>	<b>147,375,549</b>	<b>153,201,480</b>

7. Cost of Sales

Description	2024/2025	2023/2024
	Kshs	Kshs
Cost of sales on goods	92,458,984	142,424,784
Cost of sales-Direct labour	81,864,514	85,410,984
Cost of sales on services-Electricity	14,621,777	15,533,602
Cost of sales on services-Water	169,546	178,885
<b>Total</b>	<b>189,114,821</b>	<b>243,548,255</b>

**8. Grants from National Government**

Description	2024/2025	2023/2024
	Kshs	Kshs
Recurrent grants received	80,000,000	188,030,000
Additional grant received and recognised this year	0	73,735,115
Capital grants realized (see note below)	36,417,658	61,082,980
<b>Total</b>	<b>116,417,658</b>	<b>322,848,095</b>

**Finance Income**

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Insert Current FY Kshs	Insert Comparative FY Kshs
Ministry of Industry, Trade & Enterprise Development	80,000,000	36,417,658	0	116,417,658	322,848,095
<b>Total</b>	<b>80,000,000</b>	<b>36,417,658</b>	<b>0</b>	<b>116,417,658</b>	<b>322,848,095</b>

**9. Other Income**

Description	2024/2025	2023/2024
	Kshs	Kshs
Other miscellaneous receipts	1,736,640	0
<b>Total</b>	<b>1,736,640</b>	<b>0</b>

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

**10. (a) Administration Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Staff costs (note 10b)	66,921,623	62,270,059
Directors' emoluments	3,152,009	3,082,958
Electricity and water	1,794,188	1,904,841
Communication services and supplies	756,745	732,024
Transportation, traveling and subsistence	6,667,165	3,223,880
Advertising, printing, stationery & photocopying	996,240	805,084
Staff training expenses	7,199,845	5,148,656
Hospitality supplies and services	1,974,800	2,460,496
Insurance costs	980,470	1,028,439
Staff medical costs	15,035,887	80,044
Bank charges and commissions	1,393,207	806,982
Office and general supplies and services	2,602,256	2,652,370
Auditors' remuneration	696,000	600,000
Legal fees	1,752,758	2,336,404
Repairs and maintenance	5,993,785	1,115,926
Provision for bad and doubtful debts	6,775,888	12,779,295
Depreciation	100,063,107	98,783,179
Other operating expenses	14,603,248	14,943,323
<b>Total</b>	<b>239,359,221</b>	<b>214,753,960</b>

**Note**

- The electricity and water expenses have been apportioned to direct cost of production in the ratio of 90% (Kshs 16,246,419) and 50% (Kshs 339,093) respectively.

**10 (b) Staff Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries and allowances of permanent employees	52,325,685	46,828,915
Wages of temporary employees	0	0
Medical insurance schemes	0	0
Employer's contributions to national social security schemes	2,016,377	2,088,720
Employer's contributions to pension scheme	9,074,800	8,967,553
Leave pay	3,484,761	3,754,871
Gratuity provisions	0	0
Fringe benefit tax	0	0
Staff welfare	0	630,000
<b>Total</b>	<b>66,921,623</b>	<b>62,270,059</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – management	11	12
Permanent employees – unionisable	94	100
Temporary and contracted employees	4	1
<b>Total</b>	<b>109</b>	<b>113</b>

**Note:** The Increase of staff costs by Kshs. 4.7 million was mainly attributed to the salary of 2 Auditors who were hired mid FY 23-24 but were on full year salary FY 2024-2025, additional direct labor staff absorbed in management and MD allowances

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

**11. Selling and Distribution Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries and wages of Sales personnel	8,566,463	9,355,824
Marketing and Promotional expenses	4,856,087	7,019,708
<b>Total</b>	<b>13,422,550</b>	<b>16,375,532</b>

**12. Operating Profit/ (Loss)**

Description	2024/2025	2023/2024
	Kshs	Kshs
<b>The operating profit/(loss) is arrived at after charging/(crediting):</b>		
Staff costs (note 10b)	66,921,623	62,270,059
Selling and distribution Expenses	13,642,158	16,735,532
Other Administration costs	47,828,971	18,462,359
Depreciation of property, plant and equipment	100,063,107	98,783,179
Provision for bad and doubtful debts	6,775,888	12,779,295
Directors' emoluments – fees	2,554,338	2,046,234
- other	597,671	1,036,724
Auditors' remuneration - current year fees	696,000	600,000
	<b>239,359,221</b>	<b>231,129,492</b>

**13. Property, Plant and Equipment**

Description	Land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
Depreciation rate		2%	12.5%	20%	33.3%	12.5%	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As At 1 July 2023</b>	290,000,000	71,065,689	696,878,543	4,300,000	18,652,273	5,489,099	1,086,385,605
Additions 2023/2024			13,170,639		1,010,730		14,181,369
Revaluation Adjustments	16,710,000,000						16,710,000,000
<b>As At 30th June 2024</b>	<b>17,000,000,000</b>	<b>71,065,689</b>	<b>710,049,178</b>	<b>4,300,000</b>	<b>19,663,003</b>	<b>5,489,099</b>	<b>17,810,566,970</b>
Additions 2024/2025			6,709,529		1,323,712		8,033,241
<b>As At 30th June, 2025</b>	<b>17,000,000,000</b>	<b>71,065,689</b>	<b>716,758,707</b>	<b>4,300,000</b>	<b>20,986,715</b>	<b>5,489,099</b>	<b>17,818,600,211</b>
<b>Depreciation and Impairment</b>							
<b>At 1 July 2023</b>	<b>0</b>	<b>25,327,981</b>	<b>87,531,849</b>	<b>860,000</b>	<b>6,296,077</b>	<b>690,700</b>	<b>120,706,607</b>
Depreciation		1,421,314	89,178,179	860,000	6,632,967	690,700	98,783,179
<b>As At 30th June 2024</b>	<b>0</b>	<b>26,749,295</b>	<b>176,710,028</b>	<b>1,720,000</b>	<b>12,929,063</b>	<b>1,381,400</b>	<b>219,489,786</b>
At July 1, 2024	<b>0</b>	<b>26,749,295</b>	<b>176,710,028</b>	<b>1,720,000</b>	<b>12,929,063</b>	<b>1,381,400</b>	<b>219,489,786</b>

*Numerical Machining Complex Limited*

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

<b>Description</b>	<b>Land</b>	<b>Buildings &amp; civil works</b>	<b>Plant and machinery</b>	<b>Motor vehicles, including, motor cycles</b>	<b>Computers &amp; related equipment</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>Total</b>
Depreciation	0	1,421,314	90,016,870	860,000	7,074,224	690,700	100,063,107
<b>At June 30, 2025</b>	<b>17,000,000,000</b>	<b>28,170,608</b>	<b>266,726,898</b>	<b>2,580,000</b>	<b>20,003,287</b>	<b>2,072,100</b>	<b>319,552,893</b>
<b>As At 30th June 2024</b>	<b>17,000,000,000</b>	<b>44,316,394</b>	<b>533,339,150</b>	<b>2,580,000</b>	<b>6,733,941</b>	<b>4,107,699</b>	<b>17,591,077,184</b>
<b>As At 30th June 2025</b>	<b>17,000,000,000</b>	<b>42,895,081</b>	<b>450,031,809</b>	<b>1,720,000</b>	<b>983,428</b>	<b>3,416,999</b>	<b>17,499,047,317</b>

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

**Land**

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

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

**Property, Plant and Equipment at Cost**

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	17,000,000,000	0	17,000,000,000
Buildings	71,065,689	28,170,608	42,895,081
Plant And Machinery	716,758,707	266,726,898	450,031,809
Motor Vehicles, Including Motorcycles	4,300,000	2,580,000	1,720,000
Computers And Related Equipment	20,986,715	20,003,287	983,428
Office Equipment, Furniture, And Fittings	5,489,099	2,072,100	3,416,999
	<b>17,818,600,211</b>	<b>319,552,893</b>	<b>17,499,047,317</b>

**Notes to the financial statements (continued)**

**14. Inventories**

Description	2024/2025	2023/2024
	Kshs	Kshs
CNC Engineering stores	17,939,329	22,555,554
Foundry Engineering stores	13,136,039	12,866,663
Stationery and general stores	627,720	488,570
Work-In-Progress	24,050,319	6,668,095
<b>Total</b>	<b>55,753,407</b>	<b>42,578,882</b>

**15. Trade and Other Receivables**

Description	2024/2025	2023/2024
	Kshs	Kshs
Trade Receivables (Note 15 (a))	131,089,134	147,087,872
Deposits and prepayments	13,875,424	21,643,828
Vat recoverable		9,221,261
Staff receivables (Note 15 (c))	5,289,271	4,191,218
Other receivables	9,827,945	14,753,215
<b>Gross Trade and Other Receivables</b>	<b>160,081,774</b>	<b>196,897,393</b>
Provision for Bad and Doubtful Receivable	(74,771,145)	(67,995,257)
<b>Net Trade and Other Receivables</b>	<b>85,310,629</b>	<b>128,902,136</b>

**Note:** Out of the Kshs 131 million outstanding debt, NMC has requested The National Treasury approval to write off long outstanding debts amounting to Kshs 57 million. This consideration is currently under review.

**Notes to the financial statements (continued)**

**15 (a) Trade Receivables**

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross Trade Receivables	131,089,133	147,087,872
Provision for Doubtful Receivables	(74,771,145)	(67,995,257)
Net Trade Receivables	<b>56,317,988</b>	<b>79,092,614</b>
<b>At June 30, the aging analysis of gross Trade Receivables</b>		
Less than 30 Days	46,036,332	52,646,047
Between 30 and 60 Days	3,922,860	4,630,767
Between 61 and 90 Days	275,510	18,295,209
Between 91 and 120 Days	0	0
Over 120 Days	80,854,431	71,515,849
<b>Total</b>	<b>131,089,133</b>	<b>147,087,872</b>

**15 (b) Reconciliation of Impairment Allowance for Trade Receivables**

Description	2024/2025	2023/2024
	Kshs	Kshs
At the beginning of the year	<b>67,995,257</b>	<b>55,215,962</b>
Additional provisions during the year	6,775,888	12,779,295
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	<b>74,771,145</b>	<b>67,995,257</b>

**15 (c) Staff Receivables**

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross staff loans and advances	4,174,413	4,191,218

Provision for impairment loss	(1,645,957)	(2,423,726)
Net staff loans	2,528,456	<b>1,767,492</b>
Less: Amounts due within one year	(2,528,456)	(1,767,492)
Amounts due after one year	0	0

### Detailed analysis of the cash and cash equivalents

#### 16. Bank and Cash Balances

Description	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	62,222,454	79,572,542
Cash in hand		0
<b>Total</b>	<b>62,222,454</b>	<b>79,572,542</b>

Description		2024/2025	2023/2024
Financial institution	Account number	Kshs	Kshs
<b>a) Current Account</b>			
KCB Bank Ltd	1107169453	41,553,961	46,106,199
KCB Bank Ltd	1127662244	20,591,248	33,276,102
KCB Bank Ltd	1271475049	77,245	190,241
<b>Total</b>		<b>62,222,454</b>	<b>79,572,542</b>

#### 17. Ordinary Share Capital

Description	2024/2025	2023/2024
	Kshs	Kshs
<b>Authorized:</b>		
75,000,000 ordinary shares of Kshs.10 par value each	<b>750,000,000</b>	<b>750,000,000</b>
<b>Issued and Fully paid:</b>		

75,000,000 ordinary shares of Kshs. par value each	<b>750,000,000</b>	<b>750,000,000</b>
--	--------------------	--------------------

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

### 18. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

### 19. Fair Value Adjustment Reserve

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

### 20. Retained Earnings

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

### 21. Trade and Other Payables

Description	2024/2025	2023/2024
	Kshs	Kshs
Trade payables	43,353,402	46,576,699
Accrued expenses	73,781,013	4,379,000
Retention/ Contract monies	0	0
Deposits suspense account	0	1,746,528
Employee payables	18,162,604	18,111,316
Other payables	10,391,557	1,938,769
<b>Total</b>	<b>145,688,577</b>	<b>72,752,312</b>

Notes to the Financial Statements (Continued)

**Aging Analysis for Trade and other Payables**

<b>Description</b>	<b>Insert Current FY</b>	<b>% of the total</b>	<b>Insert Comparative FY</b>	<b>% of the total</b>
Under one year	138,013,236	94.67%	65,077,002	89.45%
1-2 years	0	0%	0	0%
2-3 years	0	0%	0	0%
Over 3 years	7,675,340	5.5%	7,675,340	10.55%
<b>Total</b>	<b>145,688,576</b>		<b>72,752,312</b>	

**22. Notes on cash flows**

Description	2024/2025	2023/2024
	Kshs	Kshs
<b>Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations</b>		
Profit or Loss before tax	(176,366,745)	912,266
Depreciation	100,063,107	98,783,179
Amortization	0	0
Prior Period Adjustment	99,216	106,382,747
Proposed dividend adjustment Fy2023/24	(48,014)	0
Operating Profit/(Loss) before Working Capital changes	<u>(76,252,435)</u>	<u>206,078,192</u>
(Increase)/Decrease in Inventories	(13,174,525)	74,376,771
(Increase)/Decrease in Trade and Other Receivables	43,591,507	(16,514,940)
<b>Increase/(Decrease) in Trade and Other Payables</b>	<b>72,936,264</b>	<b>(142,813,276)</b>
Increase/(Decrease) in Retirement Benefit Obligations	0	0
Increase/(Decrease) in Provision for Staff Leave Pay	0	0
<b>Cash Generated from/(used In) operations</b>	<b>27,100,811</b>	<b>121,126,747</b>
<b>(b) Analysis of Cash and Cash equivalents</b>		
<b>Cash At Bank</b>	<b>79,572,542</b>	<b>1,490,140</b>
<b>Cash In Hand</b>	<b>0</b>	<b>0</b>
<b>Balance At End Of The Year</b>	<b>62,222,454</b>	<b>79,572,542</b>

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

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

**Transactions with related parties**

Description	2024/2025	2023/2024
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Sales of electricity to govt agencies	0	0
Rent income from govt. agencies	0	0
Water sales to govt. agencies	0	0
Interest income from govt commercial banks	0	0
Interest income from bills and bonds	0	0
Others ( <i>specify</i> )	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>b) Purchases from related parties</b>		
Purchases of electricity from KPLC	0	0
Purchase of water from govt service providers	0	0
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. Agencies	0	0
Bank charges paid to govt commercial banks	0	0
Interest expense to investments by other govt. Entities	0	0
Others ( <i>specify</i> )	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>c) Grants from the government</b>		
Grants from national govt	80,000,000	370,250,000

Description	2024/2025	2023/2024
	Kshs	Kshs
Grants from county government		0
Donations in kind		0
<b>Total</b>	<b>80,000,000</b>	<b>370,250,000</b>
<b>d) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	0	0
Payments for goods and services for xxx	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>e) Key management compensation</b>		
Directors' emoluments	0	0
Compensation to key management	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

#### 24. Capital Commitments

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Amounts authorised and Contracted for	0	32,220,000
Amounts authorized but Not Contracted for	0	0
Less: Amounts included in Work In Progress	0	0
	0	<b>32,220,000</b>

#### 25. Contingent Assets and Liabilities

##### Contingent Liabilities

Description	2024/2025	2023/2024
-------------	-----------	-----------

	Kshs	Kshs
Disputed tax penalties	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 26. Financial Risk Management

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

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

### (i) Credit risk

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

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

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

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

Description	Total amount Kshs.	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2025</b>				
Trade Receivable	131,089,133	50,234,702	80,854.431	(74,771,145)
Bank balances	62,222,454	62,222,454	0	
<b>Total</b>	<b>193,311,587</b>	<b>112,457,156</b>	<b>80,854.431</b>	<b>(74,771,145)</b>
<b>At 30 June 2024</b>				
Trade Receivable	147,087,872	79,092,614	67,995,257	(67,995,257)
Bank balances	79,572,542	79,572,542		
<b>Total</b>	<b>226,660,414</b>	<b>158,665,156</b>	<b>67,995,257</b>	<b>(67,995,257)</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

**ii) Liquidity risk management**

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The

amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2025</b>				
Trade payables	3,373,414	6,843,643	33,136,345	43,353,402
<b>Total</b>	<b>3,373,414</b>	<b>6,843,643</b>	<b>33,136,345</b>	<b>43,353,402</b>
<b>At 30 June 2024</b>				
Trade payables	2,379,526	754,970	43,442,203	46,576,699
<b>Total</b>	<b>2,379,526</b>	<b>754,970</b>	<b>43,442,203</b>	<b>46,576,699</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.

**a) Foreign currency risk**

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

**b) Interest rate risk**

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

**i) Management of interest rate risk**

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

**1. Appendices**

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments.	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<b>1.0</b>	<b>Inaccuracies on the Grants from the National Treasury</b>			
	The statement of profit or loss and other comprehensive income reflects grants from the National Government of Kshs.322,848,095 as disclosed in Note 8 to the financial statements. However, the amount reported in the comparison of budget and actual amounts and the confirmation letter sent to the Parent Ministry is Kshs.338,030,000 resulting in unexplained variance of Kshs.15,181,905. In the circumstances, the accuracy and completeness of the grants from the National Government of Kshs.322,848,095	NMC had an approved budget for FY 23/24 Kshs. 188,030,000 for recurrent and 150,000,000 for development (meant for fencing NMC land at Mavoko which didn't happen due to court injunction). This gives a total of Kshs, 338,030,000. As fencing was not possible the amount of Kshs 150,000,000 was reallocated to recurrent to cover shortfall emanating from FY2022/23 Kshs. 50,000,000 allocated but not disbursed and Kshs 26,264,885 for income tax for prior years. Since expenditure relating to these 2 items were	Not resolved	Will make further clarification with OAG so that this item can be removed from the books

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments.	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	could not be confirmed.	already expensed the previous year Kshs 76,262,885 part of Kshs 150,000,000 was used to settle the same and the difference Kshs. 73,735,115 recognised in the year under therefore the figure of Kshs. 322,848,095. Therefore, in financial years a total of 338,050,000 was received and only Kshs.261,765,115 was recognized, this amount together with the deferred income of Kshs.61,082,980 which totals to Kshs. 322,848,095. This explains the difference of Kshs. 15,181,905.		
<b>2.0</b>	<b>Investment Property:</b>			
	2.1 Long Outstanding Debts: Net amount of Kshs. 6,640,310 due from individuals has remained unpaid since 2001.	Applied to the National Treasury for write-off	Not-Resolved	Pending review from National Treasury

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments.	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	2.2 Encroachment of Land: the remaining portion of the unsold land measuring 460.70 hectares were not fenced and has been encroached by informal settlers and other parties who have put up permanent structures.	To Fence the land after court cases are resolved and resources availed	Not-Resolved	Waiting for court judgment
	2.3 Title Deed not updated: A letter from the Ministry of Lands (Feb 2009) indicated that the titles had been subdivided and new Land Reference numbers (LR's) given, however the management did not provide the new title deed for audit.	The process of securing the Title deed is ongoing	Not-Resolved	Applied to Ministry of Land waiting issuance of new title deed
<b>3.0</b>	<b>Non-Compliance with the board</b>			
	The Board only had one (1) independent member during the year under review thereby not being fully constituted. This was contrary to Section 1.1 of the Mwongozo Code of Governance for State	Kind refers to our copy of Gazettee notice for the appointment of these directors to comply with Mwongozo was attached in our responses to management letter During the FY 2023/2024, the	Not-Resolved	June 2025

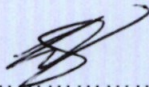
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments.	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Corporations which requires that at least one third of the Board members shall be independent upon appointment and maintain their independence during their term of service on the Board respectively. In the circumstances, the Board was in breach of the guidelines from Mwongozo Code of Governance for State Corporations.</p>	<p>composition of the Board included two (2) independent members namely Mr. Geoffrey Mahinda (Chairman of the Audit &amp; Risk Committee and Ms. Yattane Duba (Chairperson Human Resource Committee). At appointment vide Gazette Notice Vol. CXXIII-No.222 dated 29th October 2019, three (3) independent directors. However, one was latter appointed as the Commissioner General at Prisons Brig (Rtd) John K. Warioba. A replacement was never appointed. However, this is noted and the Management will ensure that the Board is fully constituted as required by the Mwongozo Code of Governance for State Corporations.</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments.	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<b>4.0</b>	<b>Accounts Payables</b>			
	<p>The statement of financial position reflects trade and other payables of Kshs.72,752,312 as disclosed in Note 21 to the financial statements. Included in this balance is Kshs.36,667,076 specifically for trade payables which has been outstanding for more than three (3) months without being paid. As at the time of audit in December, 2024 the amounts had not been cleared. This was contrary to Section 94(1) which requires a state organ to meet its financial obligations as they fall due.</p> <p>In the circumstances, the Management was in breach of the law.</p>	<p>The management can confirm that much of these payables have been paid after the closure of financial year. This is attributed to the late release of grants which contribute to the company utilizing funds meant to pay suppliers to pay staff as we wait for exchequer. NMC has a developed strategies to increase its sales revenue which will help in enhancing the working capital to be able to settle suppliers in good time.</p>	Resolved	30/09/2024
<b>5.0</b>	<b>Failure to Adhere to the Two-Thirds Gender Rule</b>			
	Review of the Company's staff establishment	The Company has not complied with the two-thirds	Not-Resolved	Continuous

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments.	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>revealed that out of one hundred and thirteen (113) employees, ninety-one (91) employees were male translating to 81% which is beyond the maximum limit of 66%. This was in contravention of Section B.22 (2) of the Human Resource Policies and Procedures Manual for the Public Service May, 2016 which states that, the Government will endeavour to have a gender balanced Civil Service by ensuring that not more than 2/3 of positions in its establishment are filled by either gender. In the circumstances, the Management was in breach of the law.</p>	<p>gender rule as per the stipulated policies. However, the company continues encouraging more females to participate in job vacancies and recruitment of more female officers in the support services in order to comply with the stipulated policy. During employment females are encouraged to apply.</p>		

**Guidance Notes:**

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



.....  
**George Makateto**

**Ag. Managing Director**

Date :

**Appendix II: Projects implemented by Numerical Machining Complex**

**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	0	0	0	0	0	0

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Modernization of Foundry & CNC workshop	1.788B	662M	37%	-	-	GoK

The company did not implement any project funded by development partners.

**Appendix III- Inter-Entity Confirmation Letter**

Name of Transferring entity: Ministry of Industry

Name of Beneficiary entity: Numerical Machining Complex

Reference Number	Date Disbursed	Amounts Disbursed by Ministry of Industry in (KShs) as at 30th June 2025				Total (D)=(A+B+C)	Amount Received by Numerical Machining Complex (Kshs) as at 30th June 2025 (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)				
RC006730	11/10/2024	10,000,000	0	0	10,000,000	10,000,000	0	
RC006779	11/12/2024	10,000,000	0	0	10,000,000	10,000,000	0	
RC006780	12/03/2025	6,600,000	0	0	6,600,000	6,600,000	0	
RC006781	14/03/2025	3,300,000	0	0	3,300,000	3,300,000	0	
RC006782	11/04/2025	40,100,000	0	0	40,100,000	40,100,000	0	
RC006841	20/05/2025	5,000,000	0	0	5,000,000	5,000,000	0	
RC006583	25/05/2025	5,000,000	0	0	5,000,000	5,000,000	0	
<b>Total</b>		<b>80,000,000</b>	<b>0</b>	<b>0</b>	<b>80,000,000</b>	<b>80,000,000</b>	<b>0</b>	

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary entity:

Name Patrick Kamuk Sign [Signature] Date 04/2/25