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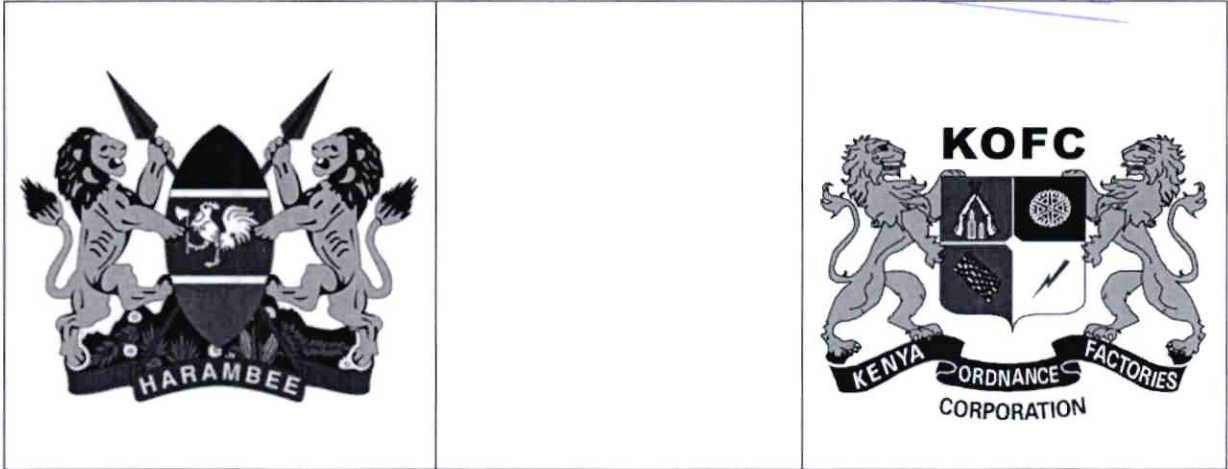
**ON**

**KENYA ORDNANCE FACTORIES  
CORPORATION**

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

NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 MAR 2025	DAY: Tuesday
TABLED BY:	Hon Owen Baya M.P Deputy majority leader.
CLERK-AT THE-TABLE:	Getrude Chebet

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**KENYA ORDNANCE FACTORIES CORPORATION**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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<b>Table of Contents</b>	<b>Page</b>
1. Acronyms and Glossary of Terms .....	iii
2. Key Entity Information .....	iv
3. The Board of Directors .....	viii
4. Key Management Team .....	xii
5. Chairman's Statement .....	xv
7. Statement of Performance against Predetermined Objectives for FY 2023/2024 .....	xvii
8. Corporate Governance Statement .....	xxi
9. Management Discussion and Analysis .....	xxiv
10. Environmental and Sustainability Reporting .....	xxvii
11. Report of the Directors.....	xxxiv
12. Statement of Directors' Responsibilities .....	xxxv
13. Report of the Independent Auditors on the financial statements for Kenya Ordnance Factories Corporation.....	xxxvii
14. Statement of Profit/Loss & Other Comprehensive Income for year ended 30 June 2024. 1	
15. Statement of Financial Position as at 30 June 2024.....	2
16. Statement of Changes in Equity for the year ended 30 June 2024 .....	4
17. Statement of Cash Flows for the year ended 30 June 2024 .....	5
18. Statement of Comparison of Budget & Actual amounts for the period ended 30 June 2024.....	6
19. Notes to the Financial Statements.....	9
20. Appendices.....	38

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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**1. Acronyms and Glossary of Terms**

Comd	Commander
Comd KA	Commander Kenya Army
Comd KAF	Commander Kenya Air Force
Comd KN	Commander Kenya Navy
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
KA	Kenya Army
KAF	Kenya Air Force
KCB	Kenya Commercial Bank
KDF	Kenya Defence Forces
KN	Kenya Navy
KOFC	Kenya Ordnance Factories Corporation
MD	Managing Director
MoD	Ministry of Defence
NT	National Treasury
PFM	Public Finance Management.
PS	Principal Secretary
PSASB	Public Sector Accounting Standards Board
VCDF	Vice Chief of the Defence Forces

## **2. Key Entity Information**

### **a) Background information**

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

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

### **b) Principal Activities**

The Corporation principle activities are to:

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

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

### **c) Mandate**

The mandate of the Corporation is to:

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

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

### **d) Vision**

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

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

**e) Mission**

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

**f) Objectives**

KOFC has established its objectives as follows:

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

**g) ISO Certification**

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

**h) Directors**

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

	Director	Position	Date
1	The Late Gen Francis O Ogolla (Former CDF)	Chairman	Passed-on on 18 Apr 24
2	General Charles Kahariri (CDF)	Chairman	Appointed 02 May 24
3	Lt Gen Peter M Njiru (Former Comd KA)	Director	Left on 08 Mar 24
4	Lt Gen D K C Tarus (Comd KA)	Director	Appointed on 08 Mar 24
5	Lt Gen John M Omenda (VCDF)	Director	Left on 02 May 24
6	Maj Gen Fatuma G Ahmed (Comd KAF)	Director	Appointed on 02 May 24
7	Lt Gen Jimson L Mutai (Vice Chancellor NDU)	Director	Left on 02 May 24
8	Maj Gen Paul O Otieno (Comd KN)	Director	Appointed on 02 May 24
9	Dr Chris Kiptoo (PS NT)	Director	Appointed on 01 Dec 22
1	Mr Patrick Mariru (PS Defence)	Director	Appointed on 01 Dec 22
1	Brig (Rtd) John N Muiruri	Director	Appointed on 25 Feb 22
1	Brig (Rtd) Peter T Ibeere	Director	Appointed on 25 Feb 22
1	Brig (Rtd) Daniel C Bartonjo	Director	Appointed on 24 May 22
1	Maj Gen Denis N N Kamuri	Managing Director	Left on 02 May 24
1	Maj Gen Gorge Okumu	Managing Director	Appointed on 02 May 24
1	Brig Daniel O Odeny (CLO DNSI)	Corporation Secretary	Appointed on 24 Jan 24

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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**i) Corporation Secretary**

Brig D O Odeny  
P.O. Box 6634-30100  
ELDORET

**j) Corporate Headquarters**

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

**k) Contacts**

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

**l) Bankers**

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

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

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

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

**m) Independent Auditors**

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

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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**n) Principal Legal Advisers**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

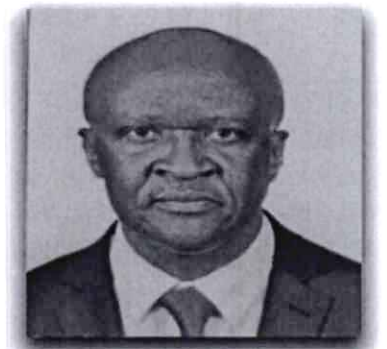
**3. The Board of Directors**



**Gen Charles Kahariri**  
**CBS “nwc’ USA ‘psc’ (K)**  
**Chairman**

Gen Kahariri is the Chief of the Defence Forces. He holds a Diploma in Strategic and Security Studies from United States Naval War College. He has completed numerous local and international courses to build his capacity and enhance his skills in the dispensation of Service duties. Some of these courses are the Long Navigation Course (India), Management and Strategic Planning Course, Naval Command Course (USA), Senior Strategic Leadership Course (UK) and Executive Development Course (University of N/Carolina, USA). He has served as an observer, military information officer and held various appointments in leadership, command and management positions.

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**The Late Gen F O Ogolla**

The Late Gen F O Ogolla was the Chief of the Defence Forces until his death. He was a graduate of École Militaire de Paris and National Defence College of Kenya. He held a Diploma in International Studies and Military Science from Egerton University, a Bachelor of Arts degree in Political Science, Armed Conflict and Peace Studies and Master of Arts in International Studies from the University of Nairobi. He had served as an observer, military information officer and held various appointments in training, command and staff positions. He was the Chairman of the Board of Directors until 18 April 2024 when he died.

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**Lt Gen David K C Tarus**  
**MGH CBS ‘ndc’ (K) “cgsc’ (USA) ‘psc’ (K)**

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

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

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

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

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

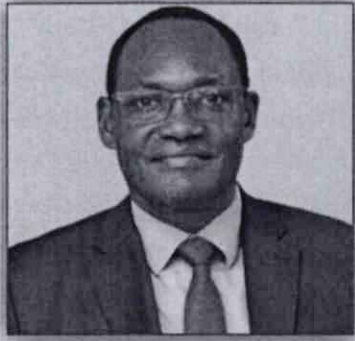
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**Dr Patrick Mariru**

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

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**Dr Chris Kiptoo CBS**

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

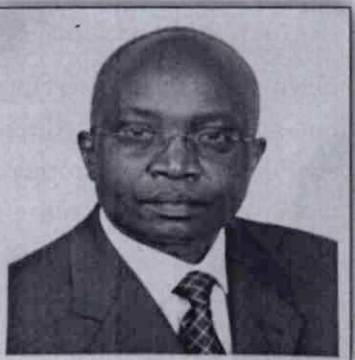
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**Brig (Rtd) John Muiruri**  
**'psc' (K), 'ndc' (K), EBS**

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

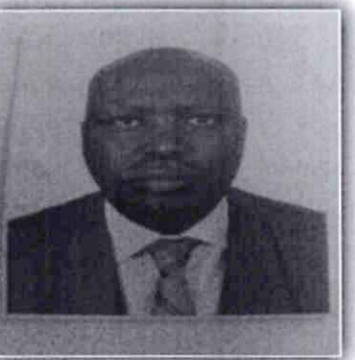
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**Brig (Rtd) P T Ibeere**  
**EBS 'ndc' (K) 'dsc' (K)**

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

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

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

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**Brig O M Rajab**  
**'ndc' (K) 'psc' (K)**

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Brig O M Rajab is the Acting Managing Director of KOFC. His substantive appointment is the Deputy Managing Director. He holds a Master of Art degree in International Studies, a BSc degree in Military Science a Diploma in Mechanical Engineering and a Diploma in Strategic Studies. He has also done several other courses including Strategic Leadership Course at KSG and various military courses. He has served in several command and staff positions in KDF prior to being appointed Acting Managing Director KOFC. These appointments include the following: Deputy Managing Director KOFC, Chief Operations Officer Kenya Meat Commission, Corps Commander Kenya Army Electrical and Mechanical Engineering KACEME, Staff Officer 1 Production at KACEME, Commanding Officer Workshop Battalion among others

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**Brig D O Odeny**  
**'ndc' (Egy) 'psc' (K)**






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






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**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**




**4. Key Management Team**

	<b>Management</b>	<b>Professional/Academic Credentials</b>	<b>Area of responsibility</b>
1.	 Brig O M Rajab	<ul style="list-style-type: none"> <li>➤ Master of Art in International Studies.</li> <li>➤ Bachelor of Military Science</li> <li>➤ Diploma in Strategic Studies</li> </ul>	Deputy Managing Director KOFC and Ag Managing Director
2.	 Brig D O Odeny	<ul style="list-style-type: none"> <li>➤ Bachelor of Laws (LLB)</li> <li>➤ Diploma in Law (KSL)</li> <li>➤ Certified Public Secretary (K)</li> </ul>	Corporate Secretary
3.	 Col R K Kiptoo	<ul style="list-style-type: none"> <li>➤ Masters of Science in Electrical Engineering Course System and Design and Technology</li> <li>➤ Bachelor of Electrical and Electronics Engineering</li> <li>➤ Post Graduate Diploma in Strategic Studies</li> </ul>	General Manager KOFC
4.	 Col C K Aritho	<ul style="list-style-type: none"> <li>➤ Master of Art in National Security Strategy.</li> <li>➤ Bachelor of Arts</li> <li>➤ Diploma in Business Management.</li> <li>➤ Certified Public Accountant Section 2</li> <li>➤ Basic Intelligence Security Course</li> </ul>	Human Resource and Administrative Manager
5.	 Lt Col C S Melanyi	<ul style="list-style-type: none"> <li>➤ Computer Security Awareness Course</li> <li>➤ Defence Instruction Technique Course</li> <li>➤ Certificate in Military Science</li> <li>➤ Young Officer Engineer Course</li> </ul>	Maintenance Manager

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

6.	 Lt Col K K Keitany	<ul style="list-style-type: none"> <li>➤ Master of Science in Procurement and logistics.</li> <li>➤ Post Graduate Diploma in Strategic Studies.</li> <li>➤ Bachelor of Arts.</li> <li>➤ Senior Leadership, Command and Management Course</li> </ul>	Procurement and Stores Manager
7.	 Lt Col R Muthoka	<ul style="list-style-type: none"> <li>➤ Masters in Defence and Security Management</li> <li>➤ Degree in Military Science</li> <li>➤ Diploma in Military Science</li> <li>➤ Diploma in Automotive Engineering</li> </ul>	Plant Manager Gilgil Factory
8.	 Eng Leo K Kerich	<ul style="list-style-type: none"> <li>➤ Masters in Chemicals Engineering (ongoing)</li> <li>➤ Masters in Business Administration</li> <li>➤ Degree in Chemical and Process Engineering</li> </ul>	Production and Quality Assurance Manager
9.	 Maj R M Kararu	<ul style="list-style-type: none"> <li>➤ Degree in Military Science.</li> <li>➤ Post Graduate Diploma in Strategic Studies.</li> <li>➤ Diploma in Military Science.</li> <li>➤ Diploma in Military Intelligence Course.</li> <li>➤ Basic Supply Course.</li> <li>➤ Logistics and Management Course.</li> </ul>	Commercial Services Manager
10.	 Maj A K Gaitho	<ul style="list-style-type: none"> <li>➤ Bachelor's Degree in Commerce (Accounts option)</li> <li>➤ Certified Public Accountant (K)</li> <li>➤ Certificate in Military Science</li> <li>➤ Pay Masters' Course</li> </ul>	Finance Manager

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

11.	 Mr. Moses N Njogu	<ul style="list-style-type: none"> <li>➤ Masters in Agricultural Economics (on going)</li> <li>➤ Bachelor of Science in Agribusiness Management</li> <li>➤ Diploma in Agriculture Education and Extension</li> <li>➤ Senior Management Course (Kenya School of Government)</li> </ul>	Farm Manager
12.	 Maj E M Mburu	<ul style="list-style-type: none"> <li>➤ Degree in Military Science (on going)</li> <li>➤ Diploma in Military Science</li> <li>➤ Certified Public Accountant Section 2</li> </ul>	Plant Manager Moi Airbase Bakery
13.	 Maj S M Ndichu	<ul style="list-style-type: none"> <li>➤ Bachelor of Science Mechatronics Engineering</li> <li>➤ Diploma in Business Administration</li> </ul>	Plant Manager Gilgil Bakery

## 5. Chairman's Statement

I have great pleasure in presenting the Annual Report and Accounts for the Kenya Ordnance Factories Corporation (KOFC) for the financial year 2023/2024. KOFC core mandate is to produce ammunition from basic raw materials for self-sufficiency and reliance. KOFC plays a vital/strategic role in being a guaranteed supplier of ammunition and food to the Kenya Defence Forces and other national Security Organs/Agencies.

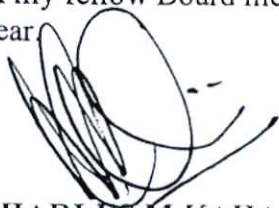
During the period under review, KOFC was able to partially meet ammunition requirements of the National Security Organs/ Agencies and processed food required. The shortfall in the supply of ammunition is attributed to low volume production due to aged machines characterized by frequent breakdowns, lack of spares due to obsolete technology and long lead time in acquisition of raw materials from overseas suppliers. This is also reflected in the financial results for the period under review.

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

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

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

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



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

6. **Report of the Acting Managing Director**

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

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

The Defence Food Processing and Production Factory (DFPPF) is in its fifth year of operations since its official commissioning in October 2018. However, the DFPPF has so far performed below par mainly due to the high cost of raw materials. This shortcoming is being addressed through the expansion of nuclear farms and conclusion of framework contracts.

Despite the production challenges, the Corporation continued to discharge its mandate to manufacture small arms ammunitions, machinery and equipment and food processing. In the year 2023/2024, the Corporation generated revenue from sale of goods and services amounting to Ksh 1,194,471,410.00 compared to KShs1,153,066,056.79 generated in the previous year 2022/2023.

In the year under review, the Corporation has been able to enter into production and packaging contract with a foreign partner with a view to penetrate the US civilian market. The Corporation expects to substantially grow the US Market in order to diversify its customer base.

The KOFC management has developed FY 2023/24 – FY 2028/29 Strategic Plan to guide the operations of the Corporation. The Management is committed to implementing the Strategic Plan in order to return value to the Corporations stakeholders.

In conclusion, I wish to sincerely thank the Corporations stakeholders for the support granted in the Financial Year 2023/2024. I also wish to thank the Board of Directors for their uttermost support and guidance during the year.



**BRIGADIER O M RAJAB 'ndc' (K) 'psc' (K)**  
Ag Managing Director

**7. Statement of Performance against Predetermined Objectives for FY 2023/2024**

The Corporation has 5 strategic issues and key result areas within the current Strategic Plan for the FY2023/24- FY 2027/28. These strategic issues are as follows:

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

The Corporation develops its annual work plans based on the above 5 Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Corporation achieved its performance targets set for the FY 2023/24 period for its 5 strategic issues, as indicated in the diagram below:

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

Ser	Strategy	Key Activities	FY 23/24		Remarks
			Target	Status	
<b>Strategic Issue:</b> Diminishing Production Capacity in Small Arms Ammunition, General Engineering and Enhancing Food Production and Processing.					
<b>KRA 1:</b> Ammunition, General Engineering, Food production and Processing					
<b>Strategic Objective 1:</b> To enhance production capacity to meet customer needs					
1	Rehabilitation of existing ammo production lines	Rehabilitating NATO lines for <b>5.56x45mm</b> and <b>9x19mm</b> ball with conversion kits for <b>9x19mm</b> blanks	Initiate Procurement Process for the Rehabilitation	Not Achieved	<ul style="list-style-type: none"> <li>Assessment done in Feb 24 and Original Equipment Manufacturer (OEM) recommended replacement of some machines</li> <li>KOFC still prefers rehabilitation of some machines when sufficient funds have been generated</li> </ul>
2	Acquisition of two new ammo production lines	Acquisition and installation of <b>7.62x39mm</b> and <b>7.62x51mm</b> lines	Sign Contract with an OEM for the acquisition of New Line	Contract drafted and awaiting clearance by Attorney General	<b>M/s Atesci</b> won the contract during evaluation
		Construction of infrastructure for new lines	Conclude tendering and award of contract	Awaiting design from <b>M/s Atesci</b>	DHQ Systems/Infra accessed the site for the construction of new lines
3	Acquire machines and equipment for completion of DFPPF and TWBP	Modernizing and expanding KOFC farm	Establish partnership agreement between KOFC and KDF Units	Assessment of arable lands in KDF cantonments done	Total of 5092 Acres identified in 9 KDF cantonments
<b>Strategic Objective 2:</b> To supplement deficit in Ammo Production					
4	Importation of deficit ammo in the short term to bridge the gap between prod and demand	Importation of ammunition	Import Qty <b>39M</b> rounds of ammo	Contract signed with <b>G2 Mitchell</b>	Awaiting <b>G2 Mitchell</b> to initiate the importation of Ammunition
<b>Strategic Objective 3:</b> To increase market penetration and share					
5	Review and implement Marketing Strategy	Participate in trade fairs and Exhibitions advertised	Participate in 2 trade fairs and exhibition	Achieved	NTFS and KDF Day
		Carry out digital advertisement for KOFC food products	Carry out 2 digital advertisement in two media platforms	Not conducted and awaiting enhancement of website internet security	
<b>Strategic Objective 4:</b> To increase Production Efficiency					

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

6	Acquire relevant technology	Acquire new technologies for production	Acquire 1 new technology in production process that improves process efficiency	Identification of relevant new technology ongoing	<ul style="list-style-type: none"> <li>• Ammo Production Lines</li> <li>• General Engineering</li> </ul>
<b>Strategic Issue:</b> Non fulfilment of customer orders and variety <b>KRA 2:</b> Product Diversification and Innovation <b>Strategic Objective 1:</b> To increase product range					
7	Production of additional Products (SCAR rifle assembly and repair line)	Acquisition of SCAR rifle assembly & repair line	Develop User Specific Service Requirements (USSR)	Achieved	To be implemented in <b>FY 24/25</b> USSR submitted to DHQ Systems
8	Diversification of food products	Introduction of a variety of new food products	Introduce 3 new variety of food products	Not achieved	Cash flow challenges
<b>Strategic Issue:</b> Limited Funding for development projects <b>KRA 3:</b> Revenue Generation <b>Strategic Objective 1:</b> To achieve a healthy financial base capable of funding own operations					
9	Acquisition of favourable credit facilities	Acquiring new credit lines	Engage and negotiate with banks for acquisition favourable credit lines	Achieved	Awaiting approval from NT
10	Develop and implement debt recovery strategy	Developing debt recovery strategy	Constitute Debt Recovery Committee	Achieved	Debt Recovery Committee Constituted
11	Institute advance payment arrangements	Contracts to include advance payments	Implement advance payment for annual contracts	Customers engaged for initiation of advance payments	Letters written to customers.
<b>Strategic Issue:</b> High Cost of Production <b>KRA 4:</b> Operational Efficiency <b>Strategic Objective 1:</b> To Reduce Cost of production					
12	Adopt business process re-engineering	Redesigning production processes	Modification of available sensors to be used in machines that were designed to use sensors that are obsolete	2 Processes in Ammo production process	<ul style="list-style-type: none"> <li>• 1 sensor in priming</li> <li>• 1 sensor in grooving machine</li> </ul>
<b>Strategic Objective 2: To improve on Asset Management and Security</b>					
13	Regular updates of asset registers	Regular updating of asset registers	Develop asset register & Valuation report	Achieved	Valuation of Ammo Production Machines and assets concluded by FN Herstal and valuation report submitted

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

14	Regular repair and maintenance of assets	Carry out regular repair and maintenance of assets	Preventive maintenance schedule prepared and Serviceability computed	Achieved	Machine Serviceability State <b>95%</b>
15	Acquisition of UAV/Drones with day and Night Cameras	Procurement of UAV/Drones	Conclude Tendering and Evaluation Process	Procurement process concluded and order issued awaiting delivery	<ul style="list-style-type: none"> <li>• Qty 1 drone procured</li> <li>• M/S Lentic Investment Limited issued with an LPO</li> </ul>
<b>Strategic Issue:</b> Retention of experienced and skilled Technical Personnel <b>KRA 5:</b> Strengthening of Institutional Capacity <b>Strategic Objective 1:</b> To Enhance human resource capacity, performance and retention					
16	Human resource development	Training of personnel	72 Personnel trained	Achieved	72 members of staff trained
17	Review of HR instruments	Reviewing of HR instruments	Review 4 HR instruments	Ongoing	Revised HR Instruments Approved by PSC. Awaiting release letters
18	Establish and Operationalize Strategy, Policy and Planning (SP&P) Dept	Establishing and operationalizing SP&P Dept	Budget for establishment of SP&P Dept in MTEF	Not Budgeted	Review <b>FY 24/25</b> budget to include est of SP&P Dept
19	Implement Staff Performance Management System	Put staff on Staff Performance Appraisal System (SPAS)	Appraise 307 staff members	307 staff members appraised	Appraisal reports submitted
		Rewarding and Sanctioning of staff	Reward and sanction staff	Ongoing	Performance Management Committee to deliberate on returns from departments
<b>Strategic Objective 2:</b> To Enhance Information, Communication and Technology					
20	Enhance Information Security	Installation of firewalls	Procurement of 1x Firewall & Network Security Monitoring tools for KOFC HQ	Budgeted	<ul style="list-style-type: none"> <li>• KOFC HQ Network Security and Monitoring requirements generated and approved.</li> <li>• Currently at procurement stage</li> </ul>
		Setting up Backups and Recoveries of data	Deployment onsite and offsite Back-ups	Ongoing	<ul style="list-style-type: none"> <li>• Backup Server budgeted and awaiting procurement.</li> <li>• Liaison with Moran Center for offsite Backups ongoing.</li> </ul>
<b>Strategic Objective 3:</b> To Strengthen Linkages between Planning, Budgeting, Monitoring and Evaluation					
21	Develop and implement M&E Framework	Prepare and Disseminate Monitoring and Evaluation Reports	Prepare and Disseminate Monitoring and Evaluation Reports	Ongoing	<ul style="list-style-type: none"> <li>• Strategic Theme Teams reports</li> <li>• Quarterly and Annual production reports</li> <li>• Annual PC Reports</li> </ul>

## **8. Corporate Governance Statement**

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

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

### **Board of Directors**

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

### **Board Operations**

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

### **Board Charter**

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

### **Board of Directors Responsibilities**

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

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

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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

#### Board Meetings

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

#### Board Skills and Diversity

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

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

#### Board Induction and Development

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

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

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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

#### Board Evaluation

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

#### Board Independence and Conflicts of Interest

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

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

**9. Management Discussion and Analysis**

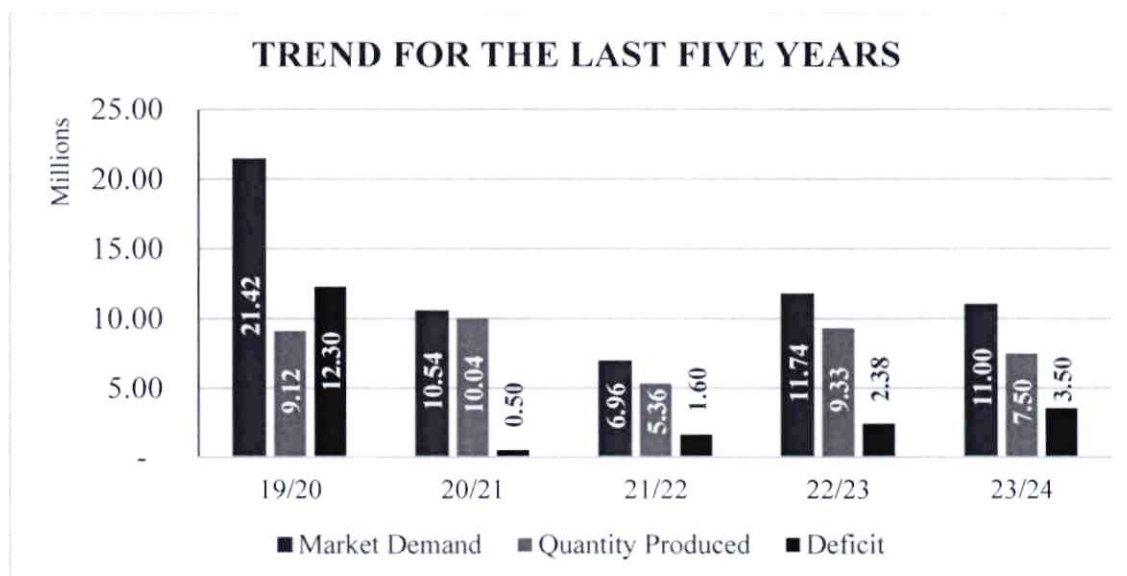
**(a) Core Mandate of the Corporation**

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

**(b) Operation**

Ammunition Production installed lines were commissioned in 1996 and projected to produce 20 million rounds in a single shift which translated to a production output of quantity 16 million at 80% efficiency. Ammunition production machines have been characterized by frequent breakdowns caused by old age and obsolescence which hampered prompt repairs. Mitigating measures towards addressing these challenges include establishment of new ammunition production lines with high capacities which is currently at an advanced stage.

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



**(c) Financial Performance**

The Corporation continues to undertake vital production activities as mandated. Its overall financial performance to date is nonetheless still weighed down by challenges related to diminished ammunition production levels from existing lines and shortage of corresponding production of raw materials and tools. Efforts to address the limited production capacity are at an advanced stage and this will finally be achieved by the installation of new production lines. Meanwhile, procurement of the Case Gauging Machine and implementation of an efficient raw materials procurement and delivery contract will further enhance productivity. Likewise, improved farm production is being addressed through funding of the Mechanization Programme.

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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

	Years (Audited)			
2022/2023	2021/2022	2020/2021	2019/2020	2018/2019
122,248,511	172,241,730	132,778,633	(191,632,846)	(515,535,062)
Profit	Profit	Profit	Loss	Loss

**(d) Revenue**

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

FY	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019
Ammo	754,464,467	675,686,976	604,021,182	695,835,135	590,915,553
Farm & Milling	89,450,688	209,138,946	148,383,807	77,839,634	97,413,266
Others	323,237,970	259,736,098	393,895,303	260,456,244	337,179,757

**Ksh.1,194,808,854** was generated from operation during the year (FY 2023/2024) under review against a set target of **Ksh.1,918,169,397** leading to a deficit of **Ksh.723,360,543** as detailed below:

Description	Budget	Actual	Deficit
Revenue	Kshs	Kshs	Kshs
Ammunition Sales	1,070,000,000	683,059,847	386,940,153
Bakery Sales	292,030,552	176,866,401	115,164,151
Farm and Milling Sales	249,730,000	188,637,527	61,092,473
KDF Bottled Water	115,896,805	74,755,939	41,140,866
DEFKITCH and Gen. Eng.	21,377,300	4,697,243	16,680,057
Piped Water	11,880,000	10,231,128	1,648,872
Interest Income	8,513,924	1,267,618	7,246,306
Disposal of General Stores	350,000	329,895	20,105
DFPPF Revenue	148,390,816	54,963,256	93,427,560
<b>Total Revenue</b>	<b>1,918,169,397</b>	<b>1,194,808,854</b>	<b>723,360,543</b>

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

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

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

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

**(g) Performance Contract Implementation Financial Year 2023/2024**

The purpose of the Performance Contracts (PC) is to provide an objective assessment of results realized and challenges experienced by the Corporation that impair performance. The objectives of the Performance Contract (PC) were drawn from the Kenya Ordnance Factories Corporation Strategic Plan and anchored on the Kenya Vision 2030, the Medium Term Plan (MTP) II) and the Sector Performance Standards (SPS). The Corporation's PC FY 2023/2024 was negotiated with the Ministry of Defence, Board of Directors and the Managing Director cascaded it to all relevant implementation departments of the Corporation.

**(h) Capital Projects**

Ammunition Production installed capacity lines were commissioned way back in mid-80's and projected to produce 20 million rounds in a single shift which translated to a production output of quantity 16 million at 80% efficiency. Ammunition Production Machines have been characterized by frequent breakdowns caused by old age and obsolescence which hampered prompt repairs. Mitigating measures towards addressing these challenges include establishment of modern ammunition production lines with high capacities which is currently at an advanced stage. Acquisition and operationalization of new production lines will in the long run restore KOFC to financial stability and prosperity.

In order to enhance farm production and minimize outsourcing of farm services, the Corporation has continued to invest in farm machinery and equipment. During the year under review, the Ministry of Defence allocated Ksh 100M for KOFC farm mechanization.

**f. KOFC Compliance with Statutory Requirements**

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

**g. Material arrears in statutory and other financial obligations**

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

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

### **a. Sustainability Strategy and Profile**

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

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

### **b. Environment Performance**

Annually, the Corporation plants over quantity 30,000 trees both for Corporate Social Responsibility and planting in its farm blocks. In FY 2023/24, KOFC planted quantity 100,000 seedlings of various species of indigenous trees. This has contributed to the current tree cover of quantity 427 acres, which translates to about 5 % of the total forest cover.

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

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

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

**Types of Solid Waste Management at KOFC**

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

**Environmental benefits of proper waste management:**

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

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

**Most sustainable waste management;**

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

**c. Employee Welfare:**

**KOFC Hiring Process and Equity**

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

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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

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

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

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

**Stakeholder engagements**

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

**Skills Improvement and Career Management**

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

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

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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

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

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

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

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

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

**Kenya Ordnance Factories Corporation**  
**Annual Report and Financial Statements for the year ended 30 June 2024**

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

**d. Market Place Practice**

**1) Responsible Competition Practice**

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

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

**2) Responsible Supply Chain and Supplier Relations**

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

- (a) Budgeting.
- (b) Purchase Plan.
- (c) Identification of need, Specifications and Requisition.
- (d) Requisition Authorization.
- (e) Sourcing.
- (f) Tender Opening.
- (g) Tender Evaluation.
- (h) Contract Award.
- (i) Receipt and Acceptance, Quality Control, Recording and Storage.
- (j) Payment of Suppliers.

To build a cordial supplier relationship, the department has;

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

### **3) Responsible Marketing and Advertisement**

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

### **4) Product Stewardship**

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

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

**e. Corporate Responsibility/Community Engagements**

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

**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Kenya Ordnance Factories Corporation Affairs.

**a. Principal Activities**

The Corporation principle activities are to:

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

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

**b. Results**

The loss for the year was **Ksh. 167,299,296**

**c. Directors**

The members of the Board of Directors who served during the year are shown at page vii to viii. During the year, 5 directors retired and were replaced.

**d. Auditors**

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

By the Order of the Board.



.....  
**Brig D O Odeny**  
**Secretary to the Board**

**Date**.....

## 12. Statement of Directors' Responsibilities

Section 83 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act require the Directors to prepare financial statements in respect of KOFC, which give a true and fair view of the state of affairs of the Corporation at the end of the period and the operating results of the Corporation for that period. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

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

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

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

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

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

Kenya Ordnance Factories Corporation  
Annual Report and Financial Statements for the year ended 30 June 2024

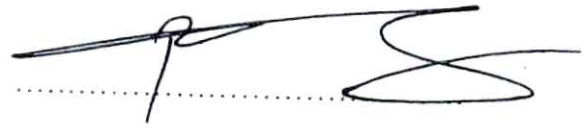
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Approval of the financial statements

The Kenya Ordnance Factories Corporation's financial statements were approved by the Board on 30<sup>TH</sup> SEPTEMBER 2024 and signed on its behalf by:



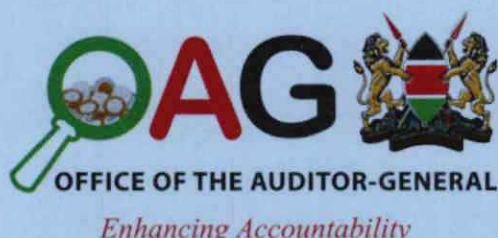
Gen C M Kahariri  
Chairperson of the Board



Brig O M Rajab  
Ag Accounting officer

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON KENYA ORDNANCE FACTORIES CORPORATION FOR THE YEAR ENDED 30 JUNE, 2024

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### PREAMBLE

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Ordnance Factories Corporation set out on pages 1 to 38, which comprise of the statement of financial

position as at 30 June, 2024 and the statement of profit/loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Ordnance Factories Corporation as at 30 June, 2024 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 Public Finance Management Act, 2012 and the State Corporations Act, Cap 446.

### **Basis for Qualified Opinion**

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

The statement of financial position reflects trade and other receivables balance of Kshs.1,186,314,494 as disclosed in Note 19 to the financial statements. Included in the balance are receivables amounting to Kshs.703,919,748 which had been outstanding for more than one hundred and twenty (120) days. Although Management made a provision of Kshs.105,336,752 for the bad debt, there was no policy on the impairment of long outstanding debtors casting doubt on the fair statement of the accounts receivables balance. Further, as reported in the previous year, the trade receivables includes a balance of Kshs.109,574,370 (2023-Kshs.111,957,288) in respect of claimable Value Added Tax which has remained outstanding for more than three (3) years.

In the circumstances, the accuracy and recoverability of the outstanding trade receivables balance of Kshs.1,186,314,494 could not be confirmed.

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

### **Emphasis of Matter**

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

The statement of profit/loss and other comprehensive income reflected a net loss before tax of Kshs.167,109,154. Review of sales revenue and the cost of sales revealed that four (4) out of the seven (7) factories were making losses leading to a trading loss of Kshs.242,835,112. The declining performance of the four factories which includes; the Dehydrated Vegetables (DPFPP), Bakery, Field Kitchen and Bottled Water over the past three years, culminating in an overall trading loss for the current year, raises significant

concerns about their sustainability. These losses negatively impacted on the Corporation's overall performance, and its continued viability will depend on government grants.

The Management did not disclose measures put in place to ensure profitability of all the Corporation units.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Information**

The Directors are responsible for the other information set out on page iv to xxxvi which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Non-Compliance with Law on Ethnic Diversity**

Review of personnel records revealed that the Corporation had a total civilian staff of three hundred and seven (307) as at 30 June, 2024, out of which one hundred and

twenty-nine (129) or 42% of the total number of civilian staff were from the dominant ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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

#### Failure to Conduct Board Evaluation

The Corporation had eleven (11) Board Members who served during the year ended 30 June, 2024. However, the Board of Directors did not conduct a Board evaluation of its performance in the year under review. This was contrary to Section 12(1)(b) of Mwongozo Code of Governance for State Corporations, 2015 which states that the Board should undertake an annual evaluation of its performance. Further, Section 1.12 (2) states that the evaluation as a whole should cover the Board as a whole, its committees, individual members, the Chairperson, the Chief Execution Officer, and the Corporation Secretary.

In the circumstances, the effectiveness of the Board in governance may not be adequately measured

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

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

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the

authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

27 December, 2024

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**14. Statement of Profit/Loss & Other Comprehensive Income for year ended 30 June 2024.**

Description	Note	30 June 2024	30 June 2023
		Kshs	Kshs
<b>Revenues</b>			
Sale of Ammunition	6	683,059,847	675,686,976
Cost of Sales	7	(573,041,216)	(587,981,570)
<b>Gross Profit</b>		<b>110,018,631</b>	<b>87,705,406</b>
<b>Other Income</b>			
Grants from the national government	8	616,050,645	507,299,410
Finance income	9	1,267,618	9,567,102
Other income	10	510,481,388	468,875,045
Foreign exchange loss	11	(3,333,935)	(35,990,865)
<b>Total Revenues</b>		<b>1,234,484,346</b>	<b>1,037,456,098</b>
<b>Operating Expenses</b>			
Administration costs	12	(1,394,040,203)	(889,999,167)
Selling and distribution costs	13	(7,553,297)	(6,040,202)
<b>Total Operating Expenses</b>		<b>(1,401,593,500)</b>	<b>(896,039,368)</b>
<b>(Loss)/Profit before taxation</b>		<b>(167,109,154)</b>	<b>141,416,730</b>
<b>Income tax credit/(expense)</b>	15	<b>(190,143)</b>	<b>(19,168,219)</b>
<b>(Loss)/Profit after taxation</b>		<b>(167,299,296)</b>	<b>122,248,511</b>
<b>Other Comprehensive income</b>			
<b>(Loss)/Profit after taxation</b>		<b>(167,299,296)</b>	<b>122,248,511</b>
Surplus on revaluation of PPE	23	1,009,277,332	-
<b>Total comprehensive income for the year</b>		<b>841,978,036</b>	<b>122,248,511</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

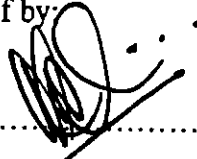
**15. Statement of Financial Position as at 30 June 2024**

Description	Note	30 June 2024	30 June 2023
		Kshs	Kshs
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	11,499,841,066	9,775,369,682
<b>Total Non-Current Assets</b>		<b>11,499,841,066</b>	<b>9,775,369,682</b>
<b>Current Assets</b>			
Inventories	16	1,569,414,099	1,554,666,810
Biological Assets	17	154,136,484	222,903,972
Trade and other receivables	18	1,186,314,494	944,971,508
Short-Term Deposits	19	139,372,899	128,120,177
Bank and Cash Balances	20	139,971,757	86,689,406
<b>Total Current Assets</b>		<b>3,189,209,732</b>	<b>2,937,351,873</b>
<b>Total Assets</b>		<b>14,689,050,798</b>	<b>12,712,721,555</b>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Government Investment	21	6,283,277,917	5,369,026,514
Revaluation Reserve	22	7,984,538,987	6,975,261,655
Retained Earnings		(397,610,100)	(662,930,756)
Deferred Income	23	317,032,148	243,295,161
<b>Capital and Reserves</b>		<b>14,187,238,952</b>	<b>11,924,652,574</b>
<b>Non-Current Liabilities</b>			
Tax Payable	24	73,875,160	109,583,229
Prepayments	24(b)	-	277,354,628
<b>Total Non-Current Liabilities</b>		<b>73,875,160</b>	<b>386,937,857</b>
<b>Current Liabilities</b>			
Trade and Other Payables	24	412,317,004	319,061,598
Current Tax Payable	25	15,619,682	82,069,525
<b>Total Current Liabilities</b>		<b>427,936,686</b>	<b>401,131,123</b>
<b>Total Equity and Liabilities</b>		<b>14,689,050,798</b>	<b>12,712,721,555</b>

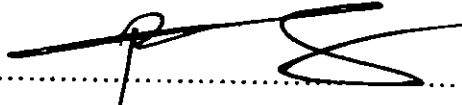
**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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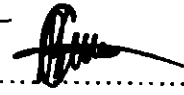
The financial statements were approved by the Board on ~~30<sup>th</sup> SEPTEMBER~~ <sup>30<sup>th</sup></sup> 2024 and signed on its behalf by:



**Gen C M Kahariri**  
**Chairman of the Board**



**Brig O M Rajab**  
**Ag Managing Director**



**Maj A K Gaitho**  
**Finance Manager**  
**ICPAK No. 27710**

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

Description	Note	Government Investment	Revaluation Reserve	Revenue Reserve	Capital Grant	Total
		Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at 01 July 2022</b>		5,369,026,514	6,975,261,655	(115,952,557)	-	12,228,335,612
Deferred income brought forward		-	-	-	85,489,354	85,489,354
Adjustment for opening inventory		-	-	(495,646,645)	-	(495,646,645)
Adjustment for cash omitted		-	-	8,000,000	-	8,000,000
Adjustment for deferred income b/f		-	-	(80,090,198)	80,090,198	-
Deferred income transfer to revenue reserve		-	-	22,284,391	(22,284,391)	-
Adjustment for tax liability		-	-	(125,081,820)	-	(125,081,820)
Adjustment for Creditors		-	-	1,307,562	-	1,307,562
Capital grants received during the year		-	-	-	100,000,000	100,000,000
Profit for the year		-	-	122,248,511	-	122,248,511
<b>As at 30 June 2023</b>		<b>5,369,026,514</b>	<b>6,975,261,655</b>	<b>(662,930,756)</b>	<b>243,295,161</b>	<b>11,924,652,574</b>
<b>As at 01 July 2023</b>		<b>5,369,026,514</b>	<b>6,975,261,655</b>	<b>(662,930,756)</b>	<b>243,295,161</b>	<b>11,924,652,574</b>
Adjustment on fixed assets carrying amount	16	29,166,522	-	-	-	29,166,522
Deferred income transfer to revenue reserve	25	-	-	26,263,013	(26,263,013)	-
Adjustment on taking charge of DFPPF Assets	16	885,084,881	-	-	-	885,084,881
Adjustment for asset revaluation (historical costs)	16	-	(442,330,570)	-	-	(442,330,570)
Adjustment on assets revaluation (depreciation)	16	-	1,451,607,902	-	-	1,451,607,902
Capital grants received during the year	8	-	-	-	100,000,000	100,000,000
Retained earnings adjustment	24	-	-	406,356,939	-	406,356,939
Profit/(Loss) for the year		-	-	(167,299,296)	-	(167,299,296)
<b>As at 30 June 2024</b>		<b>6,283,277,917</b>	<b>7,984,538,987</b>	<b>(397,610,100)</b>	<b>317,032,148</b>	<b>14,187,238,952</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**17. Statement of Cash Flows for the year ended 30 June 2024**

Description	Note	30 June 2024	30 June 2023
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
Cash generated from/(used in) operations	29	115,760,629	(184,115,657)
Interest received	9	(1,267,618)	(9,567,102)
Taxation paid		(102,348,055)	(16,933,656)
<b>Net cash generated from/(used in) Operating Activities</b>		<b>12,144,956</b>	<b>(210,616,415)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment (PPE)	16	(48,877,501)	(93,767,794)
Interest received	9	1,267,618	9,567,102
<b>Net cash generated from/(used in) Investing Activities</b>		<b>(47,609,883)</b>	<b>(84,200,692)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Government Investment		100,000,000	100,000,000
<b>Net cash generated from/(used in) Financing Activities</b>		<b>100,000,000</b>	<b>100,000,000</b>
<b>Increase/(decrease) in Cash and Cash Equivalents</b>		<b>64,535,073</b>	<b>(194,817,107)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>		<b>214,809,583</b>	<b>401,626,690</b>
<b>Adjustment for opening FDR</b>		<b>-</b>	<b>8,000,000</b>
<b>Cash and Cash Equivalents at the end of the year</b>		<b>279,344,655</b>	<b>214,809,583</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Realization/ utilization	Remarks
	a	b	c=a + b	d	e = c - d	d/c %	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Ammunition Sales	1,070,000,000	-	1,070,000,000	683,059,847	386,940,153	64%	Budget cuts affecting major customers leading to their reduced purchases. KDF, Kenya Police
Bakery Sales	292,030,552	-	292,030,552	176,866,401	115,164,151	61%	
Farm and Milling Sales	249,730,000	-	249,730,000	188,637,527	61,092,473	76%	
KDF Bottled Water	115,896,805	-	115,896,805	74,755,939	41,140,866	65%	
DEFKITCH and Gen. Eng.	21,377,300	-	21,377,300	4,697,243	16,680,057	22%	Emergency of low quality cheap products
Piped Water	11,880,000	-	11,880,000	10,231,128	1,648,872	86%	
Interest Income	8,513,924	-	8,513,924	1,267,618	7,246,306	15%	Cash flow challenges reducing fixed deposits
Disposal of General Stores	350,000	-	350,000	329,895	20,105	94%	
DFPPF Revenue	148,390,816	-	148,390,816	54,963,256	93,427,560	37%	Volatility in prices of raw material
Recurrent Grant	135,000,000	-	135,000,000	135,000,000	-	100%	
Farm Mechanization Grant	100,000,000	-	100,000,000	100,000,000	-	100%	
Opening Balances/ Debtors	554,105,648	-	554,105,648	236,101,383	318,004,265	43%	Budget cut affecting major customers
<b>Total Revenue</b>	<b>2,707,275,045</b>	<b>-</b>	<b>2,707,275,045</b>	<b>1,665,910,237</b>	<b>1,041,554,951</b>	<b>62%</b>	
Expenses	Kshs	Kshs	Kshs	Kshs	Kshs		
Materials for Ammo Production	973,704,605	19,000,000	992,704,605	323,458,143	669,246,462	33%	Lack of funds
Carbide and Non Carbide Tools	31,605,830	3,601,797	35,207,628	34,063,009	1,144,619	97%	
Auxiliary consumables and Chem.	21,581,450	-	21,581,450	12,252,313	9,329,137	57%	Lack of funds
Chemicals for Water Treatment	6,347,159	-	6,347,159	1,814,820	4,532,339	29%	
Manuals and Technical Journals	860,000	-	860,000	922,768	(62,768)	107%	Introduction of new offices
Office Equipment	1,699,445	-	1,699,445	1,142,070	557,375	67%	Lack of funds
Domestic and Household Expenses	5,000,000	10,000,000	15,000,000	7,616,016	7,383,984	51%	
Audit Expenses, Legal and Taxes	36,900,000	1,000,000	37,900,000	36,104,572	1,795,428	95%	
Machine Maintenance Spares	41,012,486	8,000,000	49,012,486	48,414,081	598,405	98%	Frequent breakdowns

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Realization/ utilization	Remarks
	a	b	c=a + b	d	e = c - d	d/c %	
Repairs and Maintenance of Veh	11,402,460	9,000,000	20,402,460	-	20,402,460	0%	
Upgrade of Production Machines	10,000,000	(10,000,000)	-	-	-	0%	Lack of funds
Maintenance of Buildings	6,372,160	-	6,372,160	1,579,795	4,792,365	25%	Lack of funds
General Maintenance of Roads	2,000,000	(1,800,000)	200,000	41,000	159,000	21%	Lack of funds
Computer Expenses and Software	4,416,960	-	4,416,960	3,166,218	1,250,742	72%	Lack of funds
ERP Maintenance	3,000,000	(3,000,000)	-	-	-	0%	Lack of funds
ICT Upgrade	1,200,000	500,000	1,700,000	127,368	1,572,632	7%	Lack of funds
Silo Maintenance	3,450,000	(2,200,000)	1,250,000	-	1,250,000	0%	Lack of funds
DEFKITCH Fabrication Materials	10,000,000	(4,800,000)	5,200,000	4,458,013	741,987	86%	Reduced orders
Mobile Field Kitchen Materials	2,249,383	-	2,249,383	-	2,249,383	0%	Reduced orders
Ammunition Production Tools	30,645,827	25,000,000	55,645,827	54,421,658	1,224,169	98%	Lack of funds
Materials for Tools Production	8,035,206	(5,000,000)	3,035,206	-	3,035,206	0%	Lack of funds
Bank Charges and Commission	8,000,000	(2,000,000)	6,000,000	5,538,470	461,530	92%	
Electricity Expenses	40,000,000	-	40,000,000	33,343,601	6,656,399	83%	
Emoluments	354,232,330	-	354,232,330	288,389,253	65,843,077	81%	Delayed salary increment was
Motor Vehicles Fuel & Oil	60,000,000	20,000,000	80,000,000	49,567,714	30,432,286	62%	Need did not arise
Directors Allowances	6,000,000	-	6,000,000	5,461,210	538,790	91%	
Travelling and Accommodation	22,000,000	23,000,000	45,000,000	43,455,443	1,544,557	97%	
Hospitality & Official Ent	4,810,000	600,000	5,410,000	4,593,413	816,587	85%	Reduced meetings
Telephone, Television and Internet	4,000,000	900,000	4,900,000	4,898,674	1,326	100%	
Postal & Courier Expenses	800,000	(300,000)	500,000	140,000	360,000	28%	Adoption of technology in comms
Drugs, Dressing and Medical Exam.	997,369	-	997,369	-	997,369	0%	Lack of funds
General Stores/Cleaning Materials	2,400,000	-	2,400,000	-	2,400,000	0%	
Payment of Rent	2,608,320	300,000	2,908,320	2,836,520	71,800	98%	
Insurance Expenses	34,118,312	-	34,118,312	30,630,449	3,487,863	90%	
Printing & Purchase of Stationery	9,322,109	5,000,000	14,322,109	3,574,126	10,747,983	25%	Adoption of paperless comms
Water & Sanitation Services	650,000	-	650,000	-	650,000	0%	Lack of funds
Purchase of Protective Gear	5,510,008	(3,000,000)	2,510,008	845,640	1,664,368	34%	Lack of funds
Purchase of Security and Eqpt	3,973,891	(1,200,000)	2,773,891	-	2,773,891	0%	Lack of funds

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Realization/ utilization	Remarks
	a	b	c=a + b	d	e = c - d	d/c %	
Training Expenses	4,824,400	-	4,824,400	4,681,271	143,129	97%	
Tendering and Advertisement	1,000,000	-	1,000,000	2,098,890	(1,098,890)	210%	Increase in number of tenders
Expenses for Clearing Goods	20,000,000	(10,000,000)	10,000,000	2,131,249	7,868,751	21%	Reduced imports
Farm Mechanization	100,000,000	-	100,000,000	35,855,600	64,144,400	36%	Lack of funds
Purchase of Motor Vehicles	18,000,000	-	18,000,000	-	18,000,000	0%	Lack of funds
Ammo Production Test Weapons	15,000,000	-	15,000,000	-	15,000,000	0%	Lack of funds
Replacement of Waterline	7,462,850	-	7,462,850	3,823,115	3,639,735	51%	Lack of funds
Grain Silo Retention	11,501,560	-	11,501,560	9,333,363	2,168,197	81%	Not yet due
Purchase of Communication Eqpt	269,000	-	269,000	31,998	237,002	12%	Lack of funds
Selling Marketing and distribution	12,611,000	-	12,611,000	-	12,611,000	0%	Lack of funds
Farm Expenses	88,912,100	47,254,055	136,166,155	90,264,584	45,901,571	66%	Lack of funds
Bakery Consumables	253,145,079	(30,566,197)	222,578,882	171,497,435	51,081,447	77%	Reduced orders
Water Bottling Consumables	86,903,259	(13,200,000)	73,703,259	47,275,855	26,427,404	64%	Reduced production
Milling Plant Consumables	38,057,800	44,900,000	82,957,800	64,515,685	18,442,115	78%	Reduced production
Purchase of Laboratory Eqpt	9,475,200	(9,000,000)	475,200	-	475,200	0%	Lack of funds
Lab Reagents and Eqpt servicing	3,075,000	-	3,075,000	2,175,042	899,958	71%	Lack of funds
Research and Development	5,000,000	(4,500,000)	500,000	-	500,000	0%	Lack of funds
Ballistic Analyzer (Accessories)	5,000,000	(5,000,000)	-	-	-	0%	Lack of funds
ISO Transition to 9001	6,970,000	(4,000,000)	2,970,000	-	2,970,000	0%	Lack of funds
External Product Analysis	492,000	-	492,000	-	492,000	0%	Need did not arise
Accruals - Locals	50,335,600	(50,335,600)	-	-	-	0%	
DFPPF	198,334,886	(58,154,055)	140,180,831	59,538,112	80,642,719	42%	Reduced production
<b>Total Expenditure</b>	<b>2,707,275,044</b>	<b>-</b>	<b>2,707,275,045</b>	<b>1,496,078,556</b>	<b>1,211,196,490</b>	<b>55%</b>	
<b>Budget Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169,831,681</b>	<b>(169,641,539)</b>		Accumulation of fund for purchase of raw materials that were not bought in the FY

## 19. Notes to the Financial Statements

### 1. General Information

KOFC is established by and derives its authority and accountability from the Legal Notice No 125, of 25 July 1997 Cap 446 of The State Corporation Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to manufacture military hardware, machinery and equipment and may engage on incidental activities essential to its object.

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

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

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

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

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

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

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

**a. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024 (continued)**

Title	Description	Effective Date
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted

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

**b. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024**

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

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

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

**c. Early adoption of standards**

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

**4. Summary of Accounting Policies**

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

**a. Revenue recognition**

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

- 1) **Revenue from the sale of goods and services** is recognized in the year in which the Corporation delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- 2) **Grants from National Government** are recognized in the year in which the Corporation actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- 3) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

**b. In-kind contributions**

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

**c. Property, plant and equipment**

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

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

**d. Property, plant and equipment**

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

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

**e. Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use, as guided by National Treasury policy on assets depreciation are:

Freehold Land	Nil
Buildings and civil works	1%
Plant and machinery	2.50%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	5%

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

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

**f. Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**g. 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.

**h. Taxation**

**1) Current income tax**

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

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

**2) 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.

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

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.

**i. Cash and cash equivalents**

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

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**j. Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**k. Retirement benefit obligations**

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

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

**l. Provision for staff leave pay**

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

**m. Exchange rate differences**

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

**n. Budget information**

The original budget for FY 2023/24 was approved by the National Assembly on 22 December 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

**o. Service concession arrangements**

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

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

**p. Comparative figures**

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

**q. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

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

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**a. Estimates and assumptions**

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

**b. Useful lives and residual values**

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

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

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

**6. Sale of Ammunition**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Sale of Ammo	683,059,847	675,686,976
<b>Total</b>	<b>683,059,847</b>	<b>675,686,976</b>

**7. Cost of Sales**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
<b>Direct costs</b>		
Opening stock	883,338,069	398,716,023
Purchases	14,342,006	651,988,644
Less closing stock of raw materials	(383,541,278)	(883,338,069)
<b>Cost of raw materials used</b>	<b>514,138,798</b>	<b>167,366,597</b>
Direct labour	182,389,522	175,625,368
<b>Total direct cost</b>	<b>696,528,320</b>	<b>342,991,965</b>
<b>Factory Overheads</b>		
Insurance	8,449,993	6,238,581
Electricity	17,895,702	15,727,191
Goods clearance expenses	2,131,249	17,646,781
Water and effluent treatment chemical	1,814,820	-
Laboratory chemicals	2,175,042	-
Machine Spares & Maintenance	61,914,081	123,462,371
Depreciation (Note 12(c))	66,699,344	69,129,536
<b>Sub-total of factory overheads</b>	<b>161,080,231</b>	<b>232,204,460</b>
<b>Total</b>	<b>857,608,551</b>	<b>575,196,426</b>
Opening work-in-progress	278,481,503	353,908,566
Opening scrap	1,701,000	1,011,250
Closing work-in-progress	(178,038,902)	(278,481,503)
Closing scrap	(301,000)	(1,701,000)
<b>Production Cost of Finished Goods</b>	<b>959,451,152</b>	<b>649,933,739</b>
Opening stock of finished goods	486,642,383	201,894,864
Opening stock adjustment	-	-
<b>Goods available for sale</b>	<b>1,446,093,535</b>	<b>851,828,603</b>
Closing stock of finished goods	(873,052,319)	(263,847,033)
<b>Cost of sales</b>	<b>573,041,216</b>	<b>587,981,570</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**8. Grants from National Government**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Recurrent grant	135,000,000	135,000,000
Other grants (Salaries and allowances)	481,050,645	372,299,410
<b>Subtotal</b>	<b>616,050,645</b>	<b>507,299,410</b>
Capital grant	100,000,000	100,000,000
<b>Subtotal</b>	<b>100,000,000</b>	<b>100,000,000</b>
<b>Total</b>	<b>716,050,645</b>	<b>607,299,410</b>

Ministry of Defence	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund	30 June 2024	FY 2022-2023
	KShs	KShs	KShs	Kshs	Kshs
Ministry of Defence	716,050,645	-	(100,000,000)	616,050,645	607,299,410
<b>Total</b>	<b>716,050,645</b>	<b>-</b>	<b>(100,000,000)</b>	<b>616,050,645</b>	<b>607,299,410</b>

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

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Ammunition	84,949,956	90,571,783
Farm and Milling	5,569,956	7,576,462
Piped Water	8,506,752	7,286,008
DefKitch 2012, Field Kitchen & GE	-	8,464,547
Bottled Water	21,349,140	22,296,798
Bakery Products	27,405,648	18,798,276
DFPPF	85,565,184	17,161,130
Admin	247,704,009	200,144,406
<b>Total</b>	<b>481,050,645</b>	<b>372,299,410</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**9. Finance Income**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Interest from Commercial Banks	1,267,618	9,567,102
<b>Total</b>	<b>1,267,618</b>	<b>9,567,102</b>

**10. Other Income**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Farm and Milling (Note 10 (a))	188,637,527	209,138,946
Piped Water	10,231,128	7,038,434
DefKitch 2012, Field Kitchen & GED	4,697,243	2,973,262
Bottled Water	74,755,939	62,452,617
Disposal(s)	329,895	479,817
Bakery Products	176,866,401	150,149,044
DFPPF (Dehydrated Vegetables)	54,963,256	36,642,925
<b>Total</b>	<b>510,481,388</b>	<b>468,875,045</b>

**11. Foreign exchange losses**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Foreign exchange losses	(3,333,935)	(35,990,865)
<b>Total</b>	<b>(3,333,935)</b>	<b>(35,990,865)</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**12. Administration Costs**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Staff costs (Note (12a))	368,658,173	316,329,036
Advertisement and tendering expenses	2,098,890	542,271
Audit expenses	900,000	900,000
Bank charges	5,709,991	3,584,952
Computer expenses	3,166,218	1,317,956
Communication expenses	-	216,207
Depreciation: Administration (Note (12c))	12,360,709	14,410,215
Director allowances	5,461,210	1,540,268
Domestic and household expenses	7,391,887	875,404
Electricity expenses	3,931,798	3,931,798
General expenses	-	2,009,694
Insurance expenses	5,859,287	5,706,537
Telephone, DSTV and Internet	4,898,675	3,508,088
Postage	140,000	133,800
Building Maintenance	1,579,795	1,028,845
Road Maintenance	41,000	41,400
Medical expenses	-	318,197
Motor vehicle running expenses	49,567,715	20,462,165
Newspaper and Periodicals	922,768	672,060
Official Entertainment	4,593,413	1,601,974
Stationery and office expenses	3,574,126	6,423,446
Protective gears and uniform	845,640	11,655
ISO and Quality assurance certification	-	844,374
Environment, water and sanitation	532,803	-
Rent and rates	2,836,520	2,371,000
Security expenses	-	76,985
Training expenses	4,681,271	83,540
Travelling and accommodation	42,997,059	10,714,515
Water and conservation expenses	-	973,696
Field kitchen fabrication	4,458,014	6,441,455
Depreciation: Farm and Milling (Note (12c))	28,873,155	23,074,507
Farm and milling expenses	313,886,141	78,054,683
Depreciation: Bakery (Note (12c))	2,817,577	1,062,527
Bakery expenses	219,824,173	200,159,671
Depreciation: Water Bottling (Note (12c))	1,077,075	1,263,219
Water Bottling expenses	86,774,067	79,089,329
Piped water expenses	4,764,845	15,162,511
Depreciation: DFPPF (Note (12c))	18,217,515	14,539,737
DFPPF expenses	180,598,695	70,521,449
<b>Total</b>	<b>1,394,040,203</b>	<b>889,999,167</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**12(a) Staff Costs**

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

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Administration	368,658,173	334,815,590
Ammunition	180,358,198	175,625,368
Farm and Milling	19,298,221	20,629,492
Bottled Water	30,534,059	37,668,871
Bakery Products	50,602,743	46,257,966
Commercial service	7,553,297	5,749,096
DFPPF	113,033,829	40,485,783
<b>Sub-total</b>	<b>770,038,520</b>	<b>661,232,167</b>
Casual labourers	18,829,145	20,184,269
<b>Total</b>	<b>788,867,665</b>	<b>681,416,435</b>

**12(b) Staff Costs**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Salaries and allowances of permanent employees	269,172,614	262,538,088
Wages of temporary employees	18,829,145	20,184,269
Employer's contributions to national social security schemes	4,016,520	788,400
Employer's contributions to pension scheme	15,798,741	16,187,726
Leave pay	-	9,418,543
In kind grant (Salary to seconded personnel)	481,050,645	372,299,410
<b>Total</b>	<b>788,867,665</b>	<b>681,416,435</b>

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

Description	Period as at 30 June 2024	As at 30 June 2023
	Kshs	Kshs
Permanent employees – management	9	9
Permanent employees – unionisable	307	308
Temporary and contracted employees	10	10
<b>Total</b>	<b>326</b>	<b>327</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Farm and Milling	28,873,155	23,074,507
Production	66,699,344	69,129,536
Bottled Water	1,077,075	1,263,219
Administration	12,360,709	14,410,215
Bakery Products	2,817,577	1,062,527
DFPPF	18,217,515	14,539,737
<b>Total</b>	<b>130,045,375</b>	<b>123,479,741</b>

**13. Selling and Distribution Costs**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Salaries and wages of Sales personnel	7,553,297	5,749,096
Other Selling and Distribution costs	-	291,106
<b>Total</b>	<b>7,553,297</b>	<b>6,040,202</b>

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

Description	30 Jun 24	30 Jun 23
	Kshs	Kshs
Staff Costs (Note 11b)	788,867,665.00	681,416,435
Depreciation of property, plant and equipment	130,045,375.31	123,479,742
Directors' emoluments – fees	5,461,210.00	1,540,268
Auditors' remuneration - current year fees	900,000.00	900,000
Net foreign exchange loss	(3,333,935.00)	35,990,865
Interest receivable	1,267,618.00	(9,567,102)

**15. Income Tax Expense/(Credit)**

Description	30 Jun 24	30 Jun 23
	Kshs	Kshs
Current taxation based on the adjusted Profit for the year at 30%	(190,143)	(19,168,219)
<b>Total</b>	<b>(190,143)</b>	<b>(19,168,219)</b>

**(KENYA ORDNANCE FACTORIES CORPORATION)**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

**16. Property, Plant and Equipment**

AS AT 30/06/2024	Land	Building and Civil Works	Waterline and Civil Works	Work In Progress	Plant Equipment, Machinery	Motor Vehicles	Furniture and Fittings	Computers	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Cost</b>									
<b>Depreciation Rate</b>	0%	1%	1%	0%	2.5%	25%	5%	30%	
1st Jul 23	6,945,000,000	682,000,000	476,772,242	362,636,748	3,024,647,037	119,937,562	26,053,334	56,861,412	11,693,908,335
Adjustments On Carrying Amount	-	38,263,651	-	-	-	43,164,450	(14,695,009)	(37,566,570)	29,166,522
Adjustments (Revaluation)	1,450,000	11,800,000	-	-	(455,580,570)	-	-	-	(442,330,570)
Additions	-	-	-	9,333,363	1,625,000	35,855,600	739,783	1,323,755	48,877,501
Addition (DFPPF Assets)	-	299,258,381.00	-	-	559,036,663.00	3,984,539.00	22,323,898	481,400.00	885,084,881
<b>30th Jun 24</b>	<b>6,946,450,000</b>	<b>1,031,322,032</b>	<b>476,772,242</b>	<b>371,970,111</b>	<b>3,129,728,130</b>	<b>202,942,151</b>	<b>34,422,006</b>	<b>21,099,997</b>	<b>12,214,706,670</b>
									-
<b>Depreciation</b>									-
Accumulated as at 01 Jul 23	-	17,050,000	116,433,275	-	1,637,575,266	70,845,146	21,658,110	54,976,857	1,918,538,653
Adjustments on Carrying Amount	-	402,083	-	-	-	70,357,189	(10,181,642)	(37,577,570)	23,000,061
Adjustment on DFPPF Assets	-	14,962,919	-	-	69,879,583	3,984,539	5,580,975	481,400	94,889,416
Adjustment on Revaluation	-	-	-	-	(1,451,607,902)	-	-	-	(1,451,607,902)
Charge for the Year	-	10,313,220	4,767,722	-	78,243,203	33,983,888	1,156,522	1,580,819	130,045,375
<b>Accumulated as at 30 June 2023</b>	<b>-</b>	<b>42,728,223</b>	<b>121,200,998</b>	<b>-</b>	<b>334,090,150</b>	<b>179,170,762</b>	<b>18,213,965</b>	<b>19,461,507</b>	<b>714,865,604</b>
<b>NET BOOK VALUE 30 Jun 24</b>	<b>6,946,450,000</b>	<b>988,593,810</b>	<b>355,571,244</b>	<b>371,970,111</b>	<b>2,795,637,980</b>	<b>23,771,389</b>	<b>16,208,041</b>	<b>1,638,491</b>	<b>11,499,841,066</b>
<b>Net Book Value as at 30 Jun 23</b>	<b>6,945,000,000</b>	<b>664,950,000</b>	<b>360,338,967</b>	<b>362,636,748</b>	<b>1,387,071,771</b>	<b>49,092,417</b>	<b>4,395,224</b>	<b>1,884,555</b>	<b>9,775,369,682</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

**Valuation**

Land, buildings, plant and equipment were valued independent valuers on in the FY. These amounts were adopted on 30 June 2024.

Asset Class	Description	Amount
	Kshs	Kshs
Motor Vehicles	Farm Mover	35,855,600
PPE	Condensing unit	1,625,000
Work in Progress	WIP	9,333,363
Computers	LG Smart TV 86	519,995
	Hisense TV 55	50,000
	Epson Printer	34,250
	Samsung TV 65	94,990
	Digital Table counter	48,260
	Digital Table counter	48,260
	Assorted computers	528,000
	Purchase of assorted furniture	739,783
<b>Total</b>		<b>48,877,501</b>

**17. Inventories and consumables**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Raw materials	383,541,278	883,338,069
Chemicals, oil and lubricants	-	4,344,035
Work In Progress	178,038,902	278,481,503
Finished goods	873,052,319	263,847,033
Farm and milling	49,987,355	58,222,965
DFPPF	22,861,891	22,207,796
Production scrap	301,000	1,701,000
Bakery stores	26,601,753	18,089,343
Stationery	5,084,190	155,994
General engineering store	7,639,676	9,900,000
General store	6,578,018	30,910
Water bottling	15,727,718	14,348,162
<b>Total</b>	<b>1,569,414,099</b>	<b>1,554,666,810</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

**18. Biological assets**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Maize	65,981,426	132,317,372
Assorted Trees	67,122,900	87,909,600
Pastures	518,592	2,677,000
Wheat	20,513,566	-
<b>Total</b>	<b>154,136,484</b>	<b>222,903,972</b>

**19. Trade and Other Receivables**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
<b>(a) Current receivables</b>		
Trade Receivables (Note 18 (a))	1,073,313,743	776,088,742
Other prepayments and deposits	26,376,002	26,291,396
Staff receivables (Note 18 (b))	1,213,276	2,298,512
<b>Total current receivables</b>	<b>1,100,903,021</b>	<b>804,678,650</b>
<b>(b) Non-current receivables</b>		
Trade Receivables	2,394,024	2,394,024
Prepayments - raw materials	78,779,831	13,081,570
Claimable VAT	109,574,370	111,957,288
Provision for bad debt (Note 24(i))	(105,336,752)	-
Tax recoverable	-	12,859,976
<b>Total non-current receivables</b>	<b>85,411,473</b>	<b>140,292,858</b>
<b>Total</b>	<b>1,186,314,494</b>	<b>944,971,508</b>

**19 (a) Trade Receivables**

Description	30 Jun 24	30 Jun 23
	Kshs	Kshs
Gross Trade Receivables	1,073,313,742	776,088,742
Net Trade Receivables	1,073,313,742	776,088,742
ageing analysis of gross Trade Receivables		
Less than 30 Days	26,047,761	-
Between 30 and 60 Days	263,405,459	776,088,742
Between 61 and 90 Days	54,357,008	-
Between 91 and 120 Days	25,583,766	-
Over 120 Days	703,919,748	-
<b>Total</b>	<b>1,073,313,742</b>	<b>776,088,742</b>

**19 (b) Staff Receivables**

Description	30 Jun 24	30 Jun 23
	Kshs	Kshs
Staff receivables	1,213,276	2,298,512
Provision for impairment loss	-	-
Net staff receivables	1,213,276	2,298,512
Less: Amounts due within one year	1,213,276	2,298,512
Amounts due after one year	-	-

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**20. Short Term Deposits**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Cooperative Bank Of Kenya	50,073,340	59,980,376
Cooperative Bank Of Kenya	-	34,139,800
Kenya Commercial Bank	8,400,000	4,000,000
Kenya Commercial Bank	80,899,559	30,000,000
<b>Total</b>	<b>139,372,899</b>	<b>128,120,177</b>

The average effective interest rate on the short-term deposits as at June 30, 2024 was 5% (2023: 5%).

**21. Bank and Cash Balances**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Cash at bank	138,292,754	85,337,832
Cash in hand	21,933	52,287
M-pesa	1,657,069	1,299,288
<b>Sub-Total</b>	<b>139,971,757</b>	<b>86,689,406</b>

The bulk of the cash at bank was held at Kenya Commercial Bank and Cooperative Bank, the Corporation's main bankers.

**Detailed analysis of the cash and cash equivalents**

Description	Account no.	30 June 2024	30 June 2023
		Kshs	Kshs
<b>a) Current Account</b>			
KCB	1108117961	126,393,711	43,979,047
KCB Dollar account	1176538969	76,680	9,891,342
Co-operative Bank-Main	1136440335600	2,117,268	19,040,002
Co-operative Bank-Bakery	1148440335600	4,053,417	7,382,242
Co-operative Bank-FPF Gilgil	1136440335601	161	7,307
Co-operative Bank-Dollar	02104403356002	344,729	-
Co-operative Bank-Euro	2210440335603	111,350	-
Equity Bank	300297565294	5,163,357	2,398,515
National Bank	1001017953900	32,081	2,639,378
<b>Sub- Total</b>		<b>138,292,754</b>	<b>85,337,832</b>
<b>b) On - Call Deposits</b>			
KCB	11081179-1	8,400,000	4,000,000
Coop Bank	110440335600	50,073,340	34,139,800
Coop Bank	110440335600	-	59,980,376
KCB	11081179-1	80,899,559	30,000,000
<b>Sub- Total</b>		<b>139,372,899</b>	<b>128,120,177</b>
<b>c) Others</b>			
Cash in hand		21,933	52,287
M-Pesa		1,657,069	1,299,288
<b>Sub- Total</b>		<b>1,679,002</b>	<b>1,351,575</b>
<b>Total</b>		<b>279,344,656</b>	<b>214,809,583</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**22. Government investment**

Opening government investment of Ksh.5,369,026,514 is the initial amount used in establishing the Factory and other additional investments accumulated up to the Financial Year 2022/23. During the Financial year under review, the Corporation has taken on charge assets that costed Ksh.29,166,522 and Ksh.885,084,881 that had not been previously taken on charge. Total Government Investment at the of the Financial Year was Ksh.6,283,277,917.

**23. Surplus on Revaluation of Property, Plant and Equipment**

Revaluation gain is as a result of valuation done in the Financial Year under review and is calculated as follows:

Item	Land	Building	Ammo Line	Total
Cost	-		2,310,266,487	2,310,266,487
Accumulated Depr	-		1,451,607,902	1,451,607,902
Net Book Value	-		858,658,585	858,658,585
New Value	1,450,000	11,800,000	1,854,685,917	1,867,935,917
<b>Revaluation Gain</b>	<b>1,450,000</b>	<b>11,800,000</b>	<b>996,027,332</b>	<b>1,009,277,332</b>

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

**24. Retained Earnings**

At the end of the Financial Year under review, the retained earnings balance was **Ksh.(397,610,100)**. Adjustments made during the year were as follows:

Ser	Name	Amount
a	Sales. Sales that were delivered to MoD in the Financial Year 2022/23. However, documentation was done in the Financial Year 2023/24	<b>80,625,960</b>
b	<b>Debtors (Tax Recoverable)</b> . Erroneously stated as refundable. The amount correctly deducted by banks as withholding tax on interest income between 1998 and 2006.	(12,859,976)
	<b>Debtors (Claimable VAT)</b> . Part of Ksh 111,957,288.00. The amount of Ksh 109,574,370.10 was erroneously overstated.	(2,382,918)
	<b>Debtors (101554 WOII Herman Natse)</b> . Rtd on 30/05/15. The amount was issued as imprest and was cleared in 2013.	(124,730)
	<b>Debtors (31554 WO1 John Geita)</b> . Rtd on 30/06/20. The amount was issued as imprest and was cleared in 2016. However, the clearance was not effected in the Corporation's books.	(112,943)
	<b>Debtors (Lt Col M Gababo (18894))</b> . Retired in 2022. Submitted the amount in cash to KOFC staff. However, the amount was not recorded.	(1,465)
	<b>Debtors (Late Maj D O Ouko (21225))</b> . Died on 30/11/09.	(1,210)
	<b>Subtotal</b>	<b>(15,483,242)</b>
c	<b>Opening Stock adjustment</b> . Finished products at the end of the Financial Year 2022/23 were undervalued.	<b>222,795,350</b>
d	<b>Long term creditors</b> . The amount was received as a prepayment purchase of ammo in the Financial Year 2010/11. MoD directed that the money was to be treated as recurrent grant.	<b>277,354,628</b>
e	Being adjustment on boarding DFPPF Assets accumulated depreciation.	<b>(94,889,416)</b>
f	Being adjustment on accumulated depreciation of carrying amount of assets.	<b>(23,000,061)</b>
g	<b>Current tax payable</b> . Tax for the financial year 2021/22 was reconciled and filed. This provision is no longer payable.	<b>64,336,372</b>
h	Being refund of risk allowance (stipend)	<b>(45,900)</b>
i	<b>Provision for bad debt</b> . Claimable VAT is not recoverable and is awaiting cabinet approval for write-off.	<b>(105,336,752)</b>
	<b>Grand Total</b>	<b>406,356,939</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**25. Deferred Income**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
National Government	317,032,148	243,295,161
<b>Total</b>	<b>317,032,148</b>	<b>243,295,161</b>

The deferred income movement is as follows:

Description	30 June 2024	30 June 2023
	Kshs	Kshs
<b>Balance Brought Forward</b>	<b>243,295,161</b>	<b>165,579,552</b>
Additions	100,000,000	100,000,000
Transfers To Income Statement	(26,263,013)	(22,284,391)
<b>Balance Carried Forward</b>	<b>317,032,148</b>	<b>243,295,161</b>

**26. Trade and Other Payables**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
<b>Current Liabilities</b>		
Trade payables	412,317,004	319,061,598.38
<b>Sub-Total</b>	<b>412,317,004</b>	<b>319,061,598.38</b>
<b>Non-Current Liabilities</b>		
Other payables (tax liability)	73,875,160	109,583,229.00
Prepayments received	-	277,354,628.00
<b>Sub-Total</b>	<b>73,875,160</b>	<b>386,937,857.00</b>
<b>Total</b>	<b>486,192,164</b>	<b>705,999,455.38</b>

Aging Analysis for Trade and other Payables:

Description	June 30, 2024	% of the total	30 June 2023	% of the total
	Kshs		Kshs	
Under one year	486,192,164	100%	-	0%
1-2 years		0%	428,644,827	100%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total</b>	<b>486,192,164</b>	<b>100%</b>	<b>428,644,827</b>	<b>100%</b>

26(a) An assessment by Kenya Revenue Authority concluded that KOFC had not paid taxes amounting to Ksh.125,081,820. Ksh.51,206,660 had been paid as at 30 June 2024 and the balance was Ksh.73,875,160.

**27. Current Tax Payable**

Description	30 June 2024 (Kshs)	30 June 2023 (Kshs)
<b>Balance B/f</b>	<b>82,069,525.51</b>	<b>64,336,372.00</b>
Adjustment for previous year provision	(64,336,372.00)	
Charge for the year	-	19,168,218.51
Tax paid	(2,113,472.00)	(1,435,065.00)
<b>Balance B/f</b>	<b>15,619,681.51</b>	<b>82,069,525.51</b>

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**28. Retirement Benefit Obligations**

The entity contributes to NSSF. This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at **Kshs. 1080** per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by ICEA Lion Pension Fund. Employees contribute 3.5% while employers contribute 7% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

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

Description	30 June 2024	30 June 2023
	Kshs	Kshs
<b>(a) Reconciliation of operating Profit/(Loss) to Cash Generated From/(Used In) operations</b>		
Profit before tax	(167,109,154)	141,416,730
Depreciation	130,045,375	123,479,742
Decrease in fair value of biological assets	68,767,488	8,504,037
<b>Operating Profit before Working Capital changes</b>	<b>31,703,709</b>	<b>273,400,509</b>
Increase in Inventories	(14,747,289)	(558,909,327)
(Increase) in Trade and Other Receivables	(346,679,737)	(175,184,156)
Increase in Trade and Other Payables	(184,099,223)	276,577,316
Adjustments to opening balances	511,693,691	-
Adjustments on DFPPF Assets recognition	94,889,416	-
Adjustments on other assets carrying amounts	23,000,061	-
<b>Cash Generated from/(used In) operations</b>	<b>115,760,629</b>	<b>(184,115,657)</b>

**30. Related Party Disclosures**

**Government of Kenya**

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

Other related parties include:

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

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Transactions with related parties**

Description	30 June 2024	30 June 2023
	Kshs	Kshs
<b>a) Sales to related parties</b>	844,692,251	867,793,488
Sale of goods to government institution	<b>844,692,251</b>	<b>867,793,488</b>
<b>Total</b>		
<b>b) Purchases from related parties</b>		
Purchases of electricity from KPLC	36,277,710	33,255,790
<b>Total</b>	<b>36,277,710</b>	<b>33,255,790</b>
<b>c) Grants from the government</b>		
Grants from national govt	235,000,000	235,000,000
<b>Total</b>	<b>235,000,000</b>	<b>235,000,000</b>
<b>d) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	289,916,039	372,299,410
<b>Total</b>	<b>289,916,039</b>	<b>372,299,410</b>
<b>e) Key management compensation</b>		
Directors' emoluments	5,461,210	1,540,268
Compensation to key management	-	-
<b>Total</b>	<b>5,461,210</b>	<b>1,540,268</b>

**31. Capital Commitments**

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

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Amounts authorised and Contracted for	-	224,689,366
Amounts authorized but Not Contracted for	-	-
Less: Amounts included in Work In Progress	-	164,566,526
<b>Net</b>	<b>-</b>	<b>60,122,841</b>

**32. Financial Risk Management**

The Corporation's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to 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 Corporation has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Receivables from exchange transactions	1,075,707,767	1,073,313,743	2,394,024	-
Receivables from non-exchange transactions	215,943,479	106,369,109	109,574,370	-
Bank balances	279,344,656	279,344,656	-	-
<b>Total</b>	<b>1,570,995,902</b>	<b>1,459,027,508</b>	<b>111,968,394</b>	<b>-</b>
<b>At 30 June 2023</b>				
Receivables from exchange transactions	778,482,766	776,088,742	2,394,024	-
Receivables from non-exchange transactions	166,488,742	28,589,908	137,898,834	-
Bank balances	214,809,583	214,809,583	-	-
<b>Total</b>	<b>1,159,781,091</b>	<b>1,019,488,233</b>	<b>140,292,858</b>	<b>-</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. 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 2024</b>				
Trade payables	-	412,317,004	73,875,160	486,192,164
Deferred income	-	-	317,032,148	317,032,148
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>421,959,172</b>	<b>386,374,141</b>	<b>803,224,312</b>
<b>At 30 June 2023</b>				
Trade payables	705,999,456	319,061,599	386,937,857	705,999,456
Deferred income	243,295,161	243,295,161	243,295,161	486,590,322
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>949,294,617</b>	<b>562,356,760</b>	<b>630,233,018</b>	<b>1,192,589,778</b>

**(iii) Market risk**

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

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

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

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

**Foreign currency risk**

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

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

Description	Kenya shillings	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>			
Cash	-	532,759	532,759
<b>Net foreign currency asset/(liability)</b>	-	<b>532,759</b>	<b>532,759</b>

**a) Interest rate risk**

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

**Management of interest rate risk**

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

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**iv) Capital Risk Management**

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

Description	30 June 2024	30 June 2023
	Kshs	Kshs
Revaluation reserve	7,984,538,987	6,975,261,655
Retained earnings	(292,273,348)	(662,930,756)
Capital reserve	6,283,277,917	5,369,026,514
<b>Total Funds</b>	<b>13,975,543,556</b>	<b>11,924,652,574</b>
Total Borrowings	-	-
Less: Cash and Bank balances	279,344,656	214,809,583
Net Debt/(Excess Cash and Cash Equivalents)	(279,344,656)	(214,809,583)
Gearing	N/A	N/A

**33. Incorporation**

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

**34. Events after the Reporting Period**

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

**(KENYA ORDNANCE FACTORIES CORPORATION)**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

20. Appendices

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

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

Ref	Observations from the Auditors	Status	Timeframe
<b>1</b>	<p><b>Long Outstanding Payables</b></p> <p>The statement of financial position prepayment of kshs 277,354,628 as disclosed in note 25(b) of the Financial Statements relating to prepayment made by the Ministry of Defence for product purchases which have remained unsettled since 2011/2012. Although Management explained that the Corporation was to issue a credit note for the outstanding amount, the balance was still outstanding as at 30 June 2023.</p> <p>No explanation was provided for failure to treat the outstanding payables as first charge in the subsequent years.</p>	<p>Resolved.</p> <p>The Corporation was allowed by the Ministry of Defence to treat the amount as grant and this has been effected in the 2023/24 Financial Statements.</p>	
<b>2</b>	<p><b>Long Outstanding Value Added Tax Expenses</b></p> <p>The statement of financial position reflects a balances of ksh.944,971,508 under trade and other receivables which, as discloses in Note 19 to the financial statements, includes claimable Value Added Tax (VAT) amounting to ksh.111,957,288. The claimable VAT of ksh.111,957,288 includes an amount of ksh.68,861,381 indicated as due from the Ministry of Defence and ksh.43,095,907 as VAT erroneously withheld on ammo sales which has been long outstanding.</p>	<p>Ksh.2,382,918 had been erroneously stated and this has been corrected in the FY2023/24 Financial Statements. BoD in the 63<sup>rd</sup> meeting resolved authorised the Management to write off the remaining amount. The process has been initiated and awaiting approval by the Treasury.</p>	

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Ref	Observations from the Auditors	Status	Timeframe
	<p>Further, the trade and other receivable balance of kshs 944,971,508 also include tax recoverable balance of kshs 12,859,976 related to Value Added Tax (VAT) due from the Kenya Revenue Authority (KRA), which has been outstanding for more than two years. In the circumstances, the existence and recoverability of the claimable VAT and claimable tax recoverable balances of ksh.111, 957,376 and ksh.12, 859,976 respectively could not be confirmed.</p>	<p>Ksh.12,859,976 was an error carried forward from FY2025/26 and has been corrected in the FY 2023/24 Financial Statements.</p>	
<b>3</b>	<p><b>Board Committee Meeting Thresholds</b></p> <p>Review of the Board of Directors records revealed that, the Board established the strategic Committee, Finance and General-Purpose Committee and Audit Committee to facilitate the smooth running of the Corporation. However, the Board Committee document provided for audit revealed that Board held only one full meeting and on 22 June 2023 and two Board Committee s meetings on 18 January 2023 and 13 June 2023.</p> <p>Failure by the Board and the Board Committees to hold meeting as per guidelines is a contravention of the requirement of circular Ref. No, OP/CAB.9/1A of 11 March, 2020 and may erode the governance responsibility entrusted to those charged with governance.</p>	<p>Resolved.</p> <p>Through its work plan, the Board planned to hold 4 meetings in the FY 2023/24 as required by law. All the meetings were held but due to the protests it the country around June 2024, the last meeting was postponed to early July</p> <p>However, KOFC BoD approved Board Work Plan which obligates the Board to meet quarterly as per Mwongozo.</p>	Enduring

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

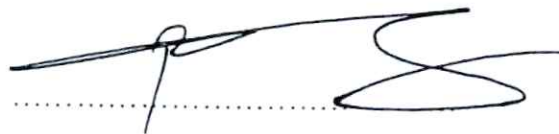
Ref	Observations from the Auditors	Status	Timeframe
4	<p><b>Asset register</b>  Details of buildings, civil works, waterline plant, equipment and machinery, furniture and fittings were not provided for audit verification. The management explained that the register indicates the block figures that were obtained from the records of the contractor and that the Ministry of Defence is working with Chief Valuer of Ministry of Lands and Physical Planning to value all the corporation assets including land so that the same could be properly documented. However, no documentary evidence was provided in support of this explanation.</p>	<p>Resolved.  Asset Register has been prepared and necessary adjustments made in the Financial Statements.</p>	
5	<p><b>Idle machinery</b>  The Corporation has in its records idle property, plant and equipment with an unknown value which were either installed, partially installed or not installed at all comprising of anvil piercing machines (2 No.), Prima cap manufacturing machine (1No), Prima polishing machines (5No) and a tracer bullet loader. The machine has been lying idle from the time the factory was built. This is contrary to the provisions of Sec 72(1)(a) of the public finance Management Act, 2012 which states that the Accounting officer for a national government entity shall manage the assets of the entity in a way which ensures that the national government entity achieves value for money in acquiring, using and disposing of those assets.</p>	<p>Not Resolved  The Corporation is seeking concurrence of the Ministry of Defence and National Treasury to utilize the equipment to source parts for the current line of operation.</p>	FY 2025/26

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Ref	Observations from the Auditors	Status	Timeframe
6	<p><b>Supply and implementation of ERP system</b></p> <p>The contract entailed installation of 8 (eight) modules that is, the production, quality assurance, procurement security, human resource, finance, maintenance and commercial department. Although the system was commissioned more than two and half years ago, most of the vital records such as assets register, cash books, bank reconciliations, general ledger, payment vouchers, debtors and creditors are done manually.</p> <p>Further, Management did not provide for audit review a plan, time frame and the processes the entity uses to convert transactions such as fixed assets, debtors, creditors and stocks from manual to electronic system. The Management did not also show the percentage of conversion from manual system to electronic system on various modules such as general ledger, warehouse, finance, human resource, procurement among others.</p>	<p>Resolved.</p> <p>Modules are now working</p> <p>ICT officer has been posted in to develop in-house solutions to ERP.</p>	

**KENYA ORDNANCE FACTORIES CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Ref	Observations from the Auditors	Status	Timeframe
7	<p><b>Staff debtors (Ksh. 1,473,774)</b>  Staff debtors included in receivable balance is a debt of Ksh.1,473,774 arising from a payment voucher no. 6851 dated 14 June 2019 for Ksh.2,149,699. The payment was in respect of stipend and other allowances to 269 staff members. The schedule attached had wrong phone numbers of beneficiaries resulting in the whole amount of Ksh.2,149,699 being wired to wrong beneficiaries by the bank on 15 April 2019.</p> <p>As at the time of audit in February 2021, the bank had recovered an amount of Ksh.675,925 leaving a balance of Ksh.1,473,774. No explanation was provided for failure to recover the outstanding balance in full.</p>	<p>Resolved.</p> <p>KCB repaid the uncollected amount</p>	
8	<p>Lack of approved HR policy instruments.</p>	<p>Resolved</p> <p>HR policy instruments have been prepared, approved by Public Service Commission and awaiting approval by Salaries and Remuneration Commission.</p>	



Brig O M Rajab  
Ag Accounting officer