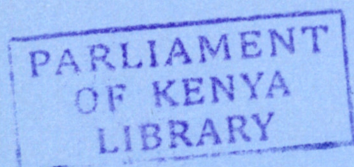


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 27 NOV 2025	DAY: Thursday
TABLED BY:	Hon. Naomi Waiswa Deputy Majority Party Whip
CLERK-AT-THE-TABLE:	A. Shibusko

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA NATIONAL SHIPPING LINE LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025

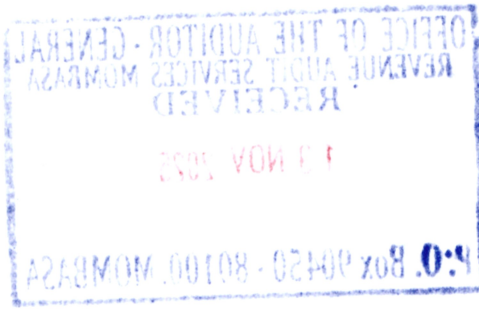


KENYA NATIONAL SHIPPING LINE LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025**

Prepared in accordance with the IFRS Accounting Standards



KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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1. Acronyms And Definition of Key Terms

A. Acronyms

GoK	Government of Kenya
KNSL	Kenya National Shipping Line Ltd
KPA	Kenya Ports Authority
PS	Principal Secretary
MD	Managing Director
ICS	Institute of Certified Secretary
DOB	Date of Birth
CPA (K)	Certified Public Accountant of Kenya
IFRS	International Financial Reporting Standards
TEU's	Twenty-foot Equivalent Unit

B. Definition of Key Terms

Fiduciary Management – Members of Management directly entrusted with entity's financial resources.

Comparative Year - Means the prior period

2. KEY COMPANY INFORMATION

a) Background information

Kenya National Shipping Line Ltd was established under the Companies Act (Cap 486) on 2nd November, 1987. At cabinet level, the *Company* is represented by the Cabinet Secretary for Ministry of Mining, Blue Economy and Maritime Affairs who is responsible for the general policy and strategic direction of the *Company*. The *Company* is domiciled in Kenya and has branch office in Nairobi.

b) Principal Activities

The principal activities of the *Company* are shipping, clearing & forwarding and crew & manning services.

Vision Statement - A world-class company offering integrated and reliable shipping and logistics solutions.

Mission Statement - To provide competitive shipping and logistics services and safeguard national aspirations in facilitating global trade.

Strategic Goals and Objectives - KNSL is committed to enhancing the contribution of shipping and logistics in wealth creation, employment, savings on foreign exchange towards the achievement of Kenya's Vision of creating a middle-income country with quality life for her citizens.

c) Directors

The Directors who served the *Company* during the year were as follows:

1. Lt. Gen (Rtd) Levi Franklin Mghalu, MGH - Chairman - Appointed on 05.08.2022.
2. Mr Aden Millah, - PS, Shipping & Maritime Affairs - Appointed on 10.04.2025.
3. Dr. Chris K. Kiptoo, PhD, CBS - PS, The National Treasury – Appointed on 02.11.2022.
4. Capt. William Ruto - MD, Kenya Ports Authority - Appointed on 10.03.2023.
5. Hon. Mose Shadrack John - Solicitor General of Republic of Kenya - Appointed on 14.03.2023.

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2 KEY COMPANY INFORMATION (continued)

- | | | |
|-----|-----------------------------|---|
| 6. | Capt. Giovanni Cuomo * | - Director - Appointed on 18.12.2021. |
| 7. | Mr. David El Bez ** | - Director - Appointed on 18.12.2021. |
| 8. | Capt. Fiorenzo Castellano * | - Director - Appointed on 18.12.2021. |
| 9. | Ms. Ndanu Ndeti | - Director - Appointed on 18.12.2021. |
| 10. | Mr. Abdallah Hatimy | - Managing Director - Appointed on 11.11.2024. |
| 11. | Mr. Geoffrey Kavate | - Alternate to MD, Kenya Ports Authority. |
| 12. | Mr. Mark Ngecho | - Alternate to PS, National Treasury & Economic Planning. |
| 13. | Mr. Mr. Samuel Mwati | - Alternate to PS, Shipping & Maritime Affairs. |
| 14. | Mr. Ashley Toywa | - Alternate to Solicitor General. |
| 15. | Ms. Aparna Kendell | - Alternate to Mr. El Bez and Ms. Ndanu Ndeti |
| 16. | Mr. Miika Heiskanen | - Alternate to Capt. G. Cuomo and Capt. F. Castellano |

* Italian

** French

d) Corporate Secretary

Mr. John Turasha Kinyanjui – KPA Corporate Secretary

Certified Public Secretary (Kenya)

P.O. Box 88206 - 80100

MOMBASA, KENYA

e) Registered Office / Corporate Headquarters

Imaara Building, 5th Floor,

Dedan Kimathi Avenue

P.O. Box 88206 - 80100

MOMBASA, KENYA

f) Corporate Contacts

Telephone: (020) 2300015/17, (+254) 700 510592

E-mail: admin@knsl.co.ke

Website: www.knsl.go.ke

KENYA NATIONAL SHIPPING LINE LTD
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2 KEY COMPANY INFORMATION (continued)

g) Corporate Bankers

Kenya Commercial Bank Limited

P.O. Box 90254 - 80100

MOMBASA, KENYA

Absa Bank Kenya PLC

P.O. Box 90182 - 80100

MOMBASA, KENYA

h) Independent Principal Auditor

The Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 - 00100

NAIROBI, KENYA

i) Principal Legal Advisers

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112 - 00200

NAIROBI, KENYA

KENYA NATIONAL SHIPPING LINE LTD
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3. THE BOARD OF DIRECTORS

NAME	DETAILS	PHOTO
1. Lt. Gen (Rtd) Levi Franklin Mghalu Chairman, Board of Directors	Served as the Vice Chief of Defence Forces; former Commander Kenya Navy; Former Board member Kenya Shipyards Ltd. DoB. 1961	
2. Dr. Chris. K. Kiptoo, PhD, CBS PS, National Treasury & Economic Planning.	Doctor of Philosophy (PhD) degree in Finance (International Macroeconomics, Finance specialization); Master Degree in Science (Ag. Economics); Bachelor of Science (Ag. Economics); Accredited Fellow in Macroeconomic Management. DoB.1967	
3. Mr. Aden Millah, PS, Shipping & Maritime Affairs Chair – Finance & General-Purpose Committee.	Master Degree DOB. 03.01.1972	
4. Capt. William Ruto MD, KPA. Chairman, Technical & Strategy Board Committee	Master Degree in Strategic Management (MBA), Associate Fellow of the Nautical Institute (AFNI), Member of International Harbour Master's Association (IHMA – UK), Master Mariner and Ship Captain. DoB. 1966	

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
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3. THE BOARD OF DIRECTORS (continued)

5. Hon. Mose Shadrack John Solicitor General of the Republic of Kenya Advocate of the High Court of Kenya	Degree in Law, Post-Graduate Diploma in Law. DoB	
6. Capt. G. Cuomo. Director SAS Shipping Agencies Services SARL (Shareholder).	Business person DoB. 1950	
7. Mr. David Elbez. Director –SAS Shipping Agencies Services SARL (Shareholder).	Business person DoB. 1970	
8. Capt. Fiorenzo Castellano Director SAS Shipping Agencies Services SARL (Shareholder).	Business person DoB. 1973	
9. Ms. Ndanu Ndeti Director SAS Shipping Agencies Services SARL (Shareholder). Chair - Audit and Risk Committee.	LLM (international maritime law) DoB. 1988	

**KENYA NATIONAL SHIPPING LINE LTD
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3. THE BOARD OF DIRECTORS (continued)

10. Mr. Abdallah Hatimy Managing Director	Masters, Bachelor's Degree Equiv, F.Diploma Shipping, Maritime Studies (Nautical – seagoing). D.O.B 1984	
11. Mr. John Turasha Kinyanjui Company Secretary	Bachelor of Law (Hons) Degree and Diploma in Law. Member of ICS DoB. 1972	
12. Mr. Mark Ngecho Alternate to PS, National Treasury & Economic Planning.	Bachelor of Business Administration - Accounting DoB. 1979	
13. Mr. Samuel Mwati Alternate to PS, Shipping & Maritime Affairs.	Master of Arts in Public Policy (MAPP) Bachelor of Arts (BA) DoB. 12.08.1969	
14. Mr. Geoffrey Kavate Alternate to MD, Kenya Ports Authority.	General Manager, Finance – Kenya Ports Authority DoB.	
15. Mr. Ashley Towya Alternate to Solicitor General.	LLM (International trade & investment) LLM (international maritime law) Senior State Counsel DoB. 1983	

KENYA NATIONAL SHIPPING LINE LTD
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FOR THE YEAR ENDED JUNE 30, 2025

3. THE BOARD OF DIRECTORS (continued)

16.	Ms. Aparna Kendell Alternate to Mr. ElBez and Ms. Ndanu Ndeti	Finance DoB	
17.	Mr. Miika Heiskanen Alternate to Capt. Cuomo and Capt. Castellano	Counsel DoB	

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

4. KEY MANAGEMENT TEAM

1.	Mr. Abdallah Hatimy Managing Director	Masters, Bachelor's Degree Equiv, F.Diploma Shipping, Maritime Studies (Nautical – seagoing). D.O.B 1984	
2.	Mr. Joseph Juma General Manager Finance and Investment	MBA, PGD, CPA(K), CPS(K)	
3.	Mr. Gerald Kamau Manager, Accounts	Bachelor of Arts - Economics, Certified Public Accountant	
4.	Mr. Jacob Safari Principal Operations Officer	Bachelor of Arts - Economics & Business Studies, Diploma in Shipping	
5.	Mrs. Rollyn Chebosi Senior Accountant	Bachelor of Business Administration - Accounting, CPA (K), CPSP (K)	
6.	Mr. Michael Lusinde Internal Auditor	Masters in Business Administration (Finance)	

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
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5. FIDUCIARY MANAGEMENT

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

No.	Designation	Name
1	Managing Director	Mr. Abdallah Hatimy
2	General Manager Finance and Investment	Mr. Joseph Juma
3.	Manager, Accounts	Mr. Gerald Kamau
4	Principal Operations Officer	Mr. Jacob Safari
5	Senior Accountant	Mrs. Rollyn Chebosi
6	Internal Auditor	Mr. Michael Lusinde

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

6. FIDUCIARY OVERSIGHT ARRANGEMENTS

Board Committees

Name of the Committee	Members
Finance and General-Purpose Committee	1. Mr. Aden A. Millah – PS, State Department for Shipping & Maritime Affairs – Chair 2. Dr. Chris K. Kiptoo, PHD, CBS - PS, National Treasury & Economic Planning 3. Capt. William Ruto – MD, KPA 4. Capt. Fiorenzo Castellano – Director, SAS Shipping Agencies Services SARL
Audit and Risk Committee	1. Ms. Cecilia Ndeti – Director, SAS Shipping Agencies Services SARL - Chair 2. Dr. Chris K. Kiptoo, PhD - PS, National Treasury & Economic Planning 3. Hon. Shadrack John Mose – Solicitor General 4. Mr. David ElBez – Director, SAS Shipping Agencies Services SARL
Technical & Strategy Board Committee	1. Capt. William Ruto – MD, KPA - Chair 2. Mr. Aden A. Millah – PS, State Department for Shipping & Maritime Affairs. 3. Capt. Fiorenzo Castellano – Director, SAS Shipping Agencies Services SARL 4. Capt. Giovanni Cuomo – Director, SAS Shipping Agencies Services SARL.

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

7. CHAIRMAN'S STATEMENT

The Chairman wishes to present the financial statements for the year ended June 30, 2025. The company registered a loss of Kshs 108.38 million and a profit before tax of Kshs 91.30million for the year ending June 30, 2025 and year ending June 30, 2024 respectively.

KNSL went through a restructuring process and during that period, the Company has been relying on subventions from the Government which are used for recurrent expenditure. The framework for the restructuring and revitalization of KNSL were completed in 2022 but the implementation process was delayed by an ongoing court case.

To return the Company into profit making, a substantive Managing Director was appointed in November 2024. In addition, in January 2025 the Board approved a Business Plan to implement Project *Mashariki* which covers the financial years 2025/26 to 2029/30. The Business Plan aims on improving the Company performance and will be focusing on the Transshipment Services, Shipping Liner Services, Clearing & Forwarding Services, Ship Agency Services and Crew & Manning Services. The Board further approved seventeen policies and manuals to guide the implementation of the project.

The short-term objectives of the Company are: To grow volume of cargo handled; To enhance efficiency in logistics value chain, ship management and terminal operations; To promote and facilitate placement of Kenyans in the global maritime labour market; To promote good governance and institutional growth; and To enhance service delivery and customer experience.

KNSL Board is committed to upholding high standards of corporate governance. The Audit & Risk Board Committee members were trained on governance matters. The day-to-day running of the business of the Company is bestowed on the Managing Director. There were no governance issues among the Board or member of the Board and top management including conflict of interest.



Lt. Gen (Rtd) Levi Franklin Mghalu, MGH
Chairman, Board of Directors

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

8. REPORT OF THE MANAGING DIRECTOR

Introduction

KNSL was formed in 1987 under the Companies Act and is the National Carrier of the Kenya Government. The company is based in Mombasa with a branch office in Nairobi and operates as a Non-Vessel Owning Common Carrier (NVOCC). The principal activities of the Company are shipping, clearing & forwarding as well as crew & manning services.

Performance

The company registered a loss of Kshs 108.38 million for the year ending June 30, 2025. The recurrent income from the Government amounting to Kshs 77 million has been captured as capital grants from Government in the statement of financial position due to ownership. Ordinarily, the funds would have been included in the comprehensive income statement resulting to a loss of Kshs 31.38 million. Under the shipping services, the Company lifted 15 TEUs and 42 TEUs in the financial year 2024/2025 and 2023/2024 respectively. The Company further cleared various Government consignments for various Ministries including Ministry of Health, the Kenya Police, Judiciary and Ministry of Foreign Affairs.

Restructure

The potential of the shipping industry is huge given that up to 90% of world trade is conducted by sea. In order to tap into this potential, countries endeavor to build their capacity to lift their own cargo by making development of the maritime fleet an imperative undertaking as it holds the key to a number of benefits that impact the overall economy. In addition, it is also a strategic pillar of national security to have national capacities and capabilities of handling own cargo flows particularly in times of disasters and or external aggression.

It is in this light that the Government of Kenya, through the inaugural National Maritime Conference of 2015 resolutions and communiqué, identified the urgent need to focus on and create a development for the maritime domain in order to maximize competitive advantages in both maritime and national development agenda. The revival of KNSL is also in line with the African Union's Agenda 2063 and 2050 AIM strategy as well as the African Maritime Transport Charter, which emphasizes the need to develop the blue economy as the next frontier of economic prosperity and proposes cargo reservation to carriers owned and registered in Africa.

8. REPORT OF THE MANAGING DIRECTOR (Continued)

Consequently, the Government made a deliberate strategic decision to harness the potential of Blue Economy in the country focusing on development of ports, shipping, logistics, seafaring, fisheries among others. The restructure of KNSL was singled out as a critical intervention with a potential of participating in the shipping industry in which an estimated over Kshs.400 billion annual revenue is paid out to foreign shipping lines. It is anticipated that a revamped KNSL will establish the Kenyan coast as the pre-eminent transshipment and logistics hub on the eastern seaboard for Africa. KNSL expect to tap into Government interest cargo currently estimated at 60,000 TEUs (Twenty-foot container equivalent).

To return the company into profit making, the Board and management identified transshipment in the port of Mombasa as a key business opportunity within the East African region. Management came-up with Project Mashariki which aim is to establish KNSL as a leading feeder service provider in East Africa focusing on improving internal revenues, expanding on existing business lines, enhancing regional connectivity, driving economic growth, and creating employment opportunities.

A Business Plan to implement Project Mashariki which covers the financial years 2024/25 to 2029/30 was developed. The Business Plan aims on improving the Company performance and will be focusing on the following business lines:

- (i) Transshipment Services - the Company intends to venture into the transshipment business encompassing vessel chartering and ownership. The Company intends to start offering services between the port of Mombasa and Zanzibar/Mogandishu and later extend the services to the port of Dar es Salaam and Mtwara.
- (ii) Shipping Liner Services - the Company offers global services for containerized cargo for both imports and exports.
- (iii) Clearing & Forwarding Services - KNSL is a premier service provider for public and private sector cargo.

8. REPORT OF THE MANAGING DIRECTOR (Continued)

(iv) Ship Agency Services - the company will engage in Ship Agency business, which entails negotiating MOUs and contracts with ship owners to represent their interest at Mombasa port.

(v) Crew & Manning Services - the company seeks to establish a strong business venture in Crew & Manning in the medium term and contribute to the country's effort in establishing a seafaring brand. This will entail recruitment of seafarers on own vessels, through negotiated MOUs with ship owners and placements through Ship Agency partnerships.

While the company awaits the implementation of the strategic revitalization plan pending court hearing of a petition against the revival plan, the Company has developed a short term and medium term business plan dubbed "Project Mashariki" in the interim which will envision and activities that will be implemented to deliver on the strategic objectives of restructured KNSL. With the expected implementation of Project Mashariki, the financial statements have been prepared on the going concern basis.



Abdallah Hatimy
Managing Director

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

**9. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2024/2025**

In the year ending June 30, 2025, the Company generated A-I-A from shipping and clearing services amounting to Kshs. 2.79 million against a target of Kshs 15 million. The Company faced the challenges of lack of shipping service provider. To increase revenue generation, the Government undertook to restructure KNSL. The framework for the restructuring of KNSL were finalized. However, an ongoing court case on the restructure has put on hold the implementation process.

To return the company into profit making, the Board and management identified transshipment in the port of Mombasa as a key business opportunity within the East African region. Management came-up with Project *Mashariki* which aim is to establish KNSL as a leading feeder service provider in East Africa focusing on improving internal revenues, expanding on existing business lines, enhancing regional connectivity, driving economic growth, and creating employment opportunities.

A Business Plan to implement Project *Mashariki* which covers the financial years 2024/25 to 2029/30 was developed. The Business Plan aims on improving the Company performance and will be focusing on the following business lines:

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- (ii) Shipping Liner Services - the Company offers global services for containerized cargo for both imports and exports.
- (iii) Clearing & Forwarding Services - KNSL is a premier service provider for public and private sector cargo.
- (iv) Ship Agency Services - the company will engage in Ship Agency business, which entails negotiating MOUs and contracts with ship owners to represent their interest at Mombasa port.

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
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**9. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2024/2025 (Continued)**

- (v) Crew & Manning Services - the company seeks to establish a strong business venture in Crew & Manning in the medium term and contribute to the country's effort in establishing a seafaring brand. This will entail recruitment of seafarers on own vessels, through negotiated MOUs with ship owners and placements through Ship Agency partnerships.

KNSL annual work plans were based on the implementation of project *Mashariki*. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

With the expected implementation of the restructuring process, the financial statements have been prepared on the going concern basis.

The day-to-day running of the business of the Company is bestowed on the Managing Director.

10. CORPORATE GOVERNANCE STATEMENT

In accordance with the Board Charter and Code of best practices, the Company has adopted high standards and applies strict rules of conduct in the discharge of its functions. As part of this commitment, the Board adheres to good Corporate Governance by embracing the principles of high standards of ethical and moral behaviour, acting in the best interest of the Company while recognizing that KNSL acts as an exemplary good corporate citizen. The Board of Directors have also undergone training in matters pertaining Corporate Governance on diverse dates.

Appointment and Removal of the members of the Board

The Chairperson is appointed by the President. There are eight directors appointed by the shareholders of whom, four are appointed by the Government (by the virtual of their office) and the other four by the other shareholder (SAS Shipping Agencies Services SARL). The members of the Board are appointed at different times so that the respective expiry dates of their terms of office fall at different times.

Role and Function of the Board of Directors

The role and functions of the Board *inter alia* includes, to:

- a) Exercise leadership, integrity and sound judgement in directing KNSL to achieve continued prosperity;
- b) Review, evaluate and approve KNSL strategic business and operational plans and ensure that the Company has sufficient and appropriate resources to achieve its goals;
- c) Ensure that effective processes and systems of risk management and internal controls are in place;
- d) Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plan for senior management development and succession;
- e) Review, evaluate and approve the remuneration structure of the organization;
- f) Adopt, implement and monitor compliance with the organization's code of conduct and ethics;
- g) Review on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the Government of Kenya;
- h) Protect the rights of shareholders and optimize shareholder value;
- i) Enhance the organization's public image and ensure engagement with stakeholders through effective communication; and
- j) Monitor compliance with the constitution, all applicable laws, regulations and standards.

10. CORPORATE GOVERNANCE STATEMENT (Continued)

Board Induction and Training

During the financial year 2024/2025, some of the Board Members undertook board induction. The Company has prepared Board Charters for the Board and Committees. There were no governance issues among the Board or member of the Board and top management.

Board and Members Performance

The Board of Directors are usually evaluated by the State Corporations Advisory Committee. For the financial year 2023/24, the Board was evaluated in September 2024 while the evaluation for the year under review will be conducted in the month of October, 2025.

Board Remuneration

The Directors are remunerated as per the Government guidelines. The Directors are paid sitting allowance while the Chairman is also paid honorarium and telephone allowances.

Conflict of Interest

The Board is under obligation to act in the best interest of the Company and uphold the fiduciary responsibilities and duty of care. This obligation involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of the Company over other interests. Board members are expected to act honestly and in good faith so as to create a culture built on principles of integrity accountability and transparency.

Corruption Prevention

KNSL Board of Directors executed the Code of Conduct and Ethics in respect of dealings with the Company. The Company has in place a Conflict-of-Interest Register for purposes of implementation of the Anti- Corruption and Economic Crimes Act, 2003, Public Officer Act, 2003 and the Leadership and Integrity Act, 2012.

KENYA NATIONAL SHIPPING LINE LTD
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FOR THE YEAR ENDED JUNE 30, 2025

10. CORPORATE GOVERNANCE STATEMENT (Continued)

Board Committees

The Board discharges its functions through committees. KNSL has three Board Committees:

1. Finance and General Purpose Board Committee.
2. Audit and Risk Board Committee.
3. Technical & Strategy Board Committee

Board committee meetings during the year were as follows;

- Finance and General Purpose Committee held 6 meetings.
- Technical and Strategy Committee held 5 meetings.
- Audit and Risk Committee held 5 meetings.

Board meetings

There were nine Board of Directors meetings held during the year as below:

	Director	Details	Meetings		% Attendance
			Held	Attended	
1.	Lt. Gen (Rtd) Levi Franklin Mghalu	Chairperson	9	7	78
2.	Mr. Aden A. Millah / Mr. Julius Segera / Mr. Samuel Mwati	Member	9	9	100
3.	Capt. William Ruto / Mr. Geoffrey Kavate / Mr. John Nyamosi	Member	9	9	100
4.	Dr. Chris K. Kiptoo, PHD, CBS / Mr. Mark Ngecho	Member	9	9	100
5.	Hon. Mose Shadrack John / Mr. Ashley Toywa	Member	9	7	78
6.	Capt. Giovanni Cuomo	Member	9	3	33
7.	Capt. Fiorenzo Castellano	Member	9	9	100
8.	Mr. David El Bez / Ms. Aparna Kendell	Member	9	3	33
9.	Ms. Cecilia Ndeti	Member	9	9	100
10.	Mr. Abdallah Hatimy / Mr. Gerald Kamau	MD	9	9	100

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

11. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A: OPERATIONAL AND FINANCIAL PERFORMANCE

As at June 30, 2025 the Company had a shareholders' Capital & Reserves of Ksh 343,092,776 and Ksh. 374,468,826 in the year 2023/24. The current assets are Ksh 397,185,789 and the current liabilities Ksh 57,487,954. The company registered a loss of Kshs 108.38 million and Kshs 91.30 million for the year ending June 30, 2025 and year ending June 30, 2024 respectively. The Company has been relying on subventions from the Government which are used for recurrent expenditure. The grants have been captured as Capital Grants from the Government in the Statement of Financial Position.

Items	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Cargo Lifting (TEUS)	242	123	155	119	42	15
Revenues (Kshs.)	3,477,979	1,677,835	1,366,470	475,591,598	31,319,842	13,720,257
Expenditure (Kshs.)	(51,351,362)	(59,068,665)	(75,095,857)	(165,883,438)	(122,621,706)	(124,786,483)
Profit/ (Loss) (Kshs.)	(47,873,383)	(57,390,830)	(73,729,387)	309,708,160	(91,301,864)	(108,376,050)

To return the company into profit making, the Board and management identified transshipment in the port of Mombasa as a key business opportunity within the East African region. Management came-up with Project Mashariki which aim is to establish KNSL as a leading feeder service provider in East Africa focusing on improving internal revenues, expanding on existing business lines, enhancing regional connectivity, driving economic growth, and creating employment opportunities.

SECTION B: KEY PROJECTS AND INVESTMENT DECISIONS

During the year under review, the Company did not have any capital project.

11. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION C: MAJOR RISKS

(i) Operational Risk

The Company will face come operational risks during the implementation of project *Mashariki*. These includes: Changes in cargo traffic towards neighboring ports due to improved efficiency; Competition from established players in the market; Volatile regulatory environment (Environmental/Health and Safety Regulations, procurement); Adverse changes in Global trade policies; Litigation that impacts the operationalization of the business case (HR/Industry players); Geopolitical instability; Adverse public Perception and poor brand Reputation; Technology Risks (Cybersecurity breaches, obsolescence) and Slow response to volatile market dynamics given the red tapes the Company is expected to observe as a Public Entity.

(ii) Financial risk management

The company's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and interest rates and changes in market prices of the Company's services. 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 extended to customers with an established credit history.

(iii) Foreign currency risk management

The company undertakes certain transactions denominated in foreign currencies primarily in US Dollars. The fluctuations in currency exchange rates result in changes in the value of monetary assets and monetary liabilities denominated in foreign currencies hence exposures to the risk of incurring exchange losses. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

(iv) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short and medium-term funding and liquidity management requirements. The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

11. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION C: MAJOR RISKS (Continued)

(v) Credit risk management

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The credit risk on trade receivables is limited because the customers are known to be customers with high credit ratings. The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings. The Company has a Credit Policy for management of its credit risk.

**SECTION D: MATERIAL ARREARS IN STATUTORY & OTHER FINANCIAL
OBLIGATIONS**

KNSL has been remitting its statutory deductions like PAYE, NHIF, NSSF, HELB and Pension on time as required by law and all the statutory deductions have been submitted. The Company current liabilities decreased from Ksh 58.67 million in the year ending June 30, 2024 to Kshs 57.48 million in the year June 30, 2025.

12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya National Shipping Line Ltd exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The Company is implementing project *Mashariki* to enhance its capacity in revenue generation and creation of jobs in the Blue Economy sector.

ii) Environmental performance

The Company has developed environmental policies to guide in the protection of the environment in general. These includes policies like Green Shipping Policy and Health, Safety & Environment Policy.

The Company has a fully pledged Asset and Disposal Committee which handles disposal of obsolete and unserviceable assets including e-waste. The Company conducts regular service and maintenance of its vehicles and equipment's to increase their life span and thereby reducing air pollution.

The Company in collaboration with Government institutions and the local community has participated in tree planting exercise within the Coast region as part of Corporate Social Responsibility. This has improved the national forest coverage and contributed in mitigation of climate change.

iii) Employee welfare

The Company has been implementing the affirmative action on gender and has complied with Occupational Safety and Health Act of 2007, (OSHA).

iv) Market place practices

a) Responsible competition practice.

The Company has a Corruption Prevention Committee and trained Integrity Officers.

b) Responsible Supply chain and supplier relations

The Company settles its pending bills on time.

12 ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

c) Responsible marketing and advertisement

The Company is committed to best market place and business practice in the maritime sector.

d) Product stewardship

KNSL continues to ensure consumer rights and interests in the maritime sector are safeguarded. The Company has a Service Delivery Charter.

v) Corporate Social Responsibility

Planting of Mangrove Seedlings

Kenya National Shipping Line staff participated in several tree planting exercises in Kipini, Tana River County on 13th November 2024 (10,000 seedlings), 21st January 2025 (20,000 seedlings) , 27th January 2025 (5,000 seedlings) and 19th to 22nd June 2025 in support of the National Tree Growing Restoration Campaign which was launched by the President in 2022. The area residents have been working together with the Government to plant mangroves and protect their own coastlines from erosion as a result of education and awareness on importance of mangrove and planting carried out by the Ministry of Environment and Forestry.

Tree/Nurseries established

In partnership with Kipini Community Forest Association (KCFA) and Kenya Forest Service, KNSL established Mangroves Seedlings which provide essential habitat for thousands of species around the community, stabilize shorelines, preventing erosion and protecting the land and the people who live there from waves and storms and also improves the environment and quality of life in Kipini Community.

12 ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

vi) Corporate Social Responsibility



Tree Planting with Kipini Community Forest Association

12 ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

vii) Corporate Social Responsibility

The team from KNSL, Kenya Forest Service, Community Forest Association and Nuru Mangrove Women Group during the tree planting exercise.



KENYA NATIONAL SHIPPING LINE LTD ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

13. REPORT OF THE DIRECTORS

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

i) Principal Activities

The principal activity of the company is the provision of shipping, clearing & Forwarding and crew & manning services.

ii) Results

The results of the company for the year ended June 30, 2025 are set out on page 1.

iii) Directors

The members of the Board of Directors who served during the year are shown on page VI - IX. Mr. Geoffrey Kaituko was replaced as Director by Mr. Aden Millah, PS, Shipping & Maritime Affairs on 10.04.2025.

iv) Auditors

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

By Order of the Board



Corporate Secretary

Mombasa

Date: 31st JULY, 2025

13. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the Kenya Company's Act, require the Directors to prepare financial statements in respect of the Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company; (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 Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company'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 and the Kenya Company's Act.

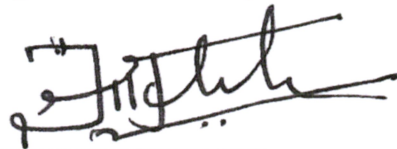
The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2025, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

14 STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

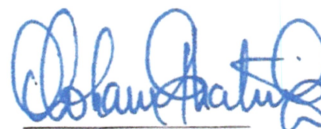
The directors acknowledge that the continued existence of the Company as a going concern depends on the continued success of the various strategic measures that are being pursued by the directors to achieve optimal volumes of cargo handled to return the Company to profitable trading and continued financial support from shareholders. The directors further acknowledge that there was a Cabinet Resolution in the public domain that KNSL was to be dissolved/divestured. However, the Company had not received official communication on the issue. Therefore, the directors are of the view that, once these measures are fully implemented, the Company's solvency will be restored and it will trade profitably for the foreseeable future.

Approval of the financial statements

The *company's* financial statements were approved by the Board on 31ST JULY 2025 and signed on its behalf by:



Lt. Gen (Rtd) Levi Franklin Mghalu
Chairman of the Board



Abdallah Hatimy
Managing Director

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL SHIPPING LINE LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya National Shipping Line Limited set out on pages 1 to 43, which comprise of the statement of financial position as

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

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

Basis for Qualified Opinion

1. Trade and Other Receivables Balance

The statement of financial position reflects trade and other receivables of Kshs.48,614,996 as disclosed in Note 19 to the financial statements. The balance includes other receivables of Kshs.10,079,590 which was not supported with confirmations on existence of the receivable through circularization as per the Finance Procedures Manual of 2023 clause 18.6 which states that the accountant in charge shall prepare the circularization notices to the active debtors within the first week after closure of the financial year. Further, the balance include VAT recoverable of Kshs.27,273,814. However, the Company's itax ledger reflects VAT credit of Kshs.4,879,834 casting doubt on the existence of the receivable.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.48,614,996 could not be confirmed.

2. Unsupported Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.21,675,166 as disclosed in Note 22 to the financial statements. However, review of the general ledger on accounts payables revealed a total balance of Kshs.12,471,257, resulting in an unexplained variance of Kshs.9,203,909.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.21,675,166 could not be confirmed.

Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.3,394,941 as disclosed in Note 16 to the financial statements. The balance includes motor vehicles at Nil balance for five (5) vehicles in use by the Company. The fair value of the assets is not reflected in the financial statements contrary to International Accounting Standards (IAS) 16 that requires revaluations be carried out regularly so that

carrying amount of assets does not materially differ from its fair value at the balance sheet date.

Further, review of the motor vehicle ownership records, work tickets and Other Information provided by Management revealed that three (3) vehicles had no blue number plates contrary to the Traffic Act (Registration Plates) Rules Legal Notice 62 of 2016. In addition, review of the Company's payroll indicated that the Company has two staff designated as drivers. However, examination of the work tickets indicated that four (4) staff employed and designated in various departments for different roles engaged in driving the Company cars. Management did not explain why staff not designated as drivers took on the responsibility and how they were selected and vetted to confirm their suitability to undertake the driving duties.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.3,394,941 could not be confirmed.

3. Non-Compliance with International Accounting Standards on Accounting for Government Grants

The statement of financial position reflects capital grants from the Government amounting to Kshs.260,000,000 as disclosed in Note 21 to the financial statements. The balance includes Kshs.77,000,000 received during the year for operational support. However, the amount was not disclosed in the statement of profit or loss and other comprehensive income, despite being intended to finance recurrent operational expenditure as per the approved itemized budget. The treatment is inconsistent with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, and the matching principle, which require that government grants be recognized in profit or loss on a systematic basis over the periods in which the entity recognizes the related expenses. Cumulatively, Kshs.260,000,000 has been treated as capital grants without corresponding assets, resulting in non-compliance with the applicable financial reporting framework.

In the circumstances, the completeness and accuracy of government grants of Kshs.260,000,000 could not be confirmed.

4. Changes in Ordinary Share Capital

The statement of changes in equity reflects ordinary share capital of Kshs.168,600,000 (comprising 168,600 ordinary shares of Kshs.1,000 each). The following observations were noted;

- i. As reported in the previous year, the increase was as a result of reorganization of share capital by allocation of 19,335 ordinary shares of Kshs.1,000 each to the Kenya Ports Authority, increasing the Authority's shareholding from 70,023 to 89,358 shares. An additional 55,742 ordinary shares of Kshs.1,000 each was allocated to M/s SAS Shipping Agencies Services SARL in respect of Kshs.54,346,500 paid to the Kenya National Shipping Line Limited (KNSL) by M/s

Heywood Shipping Company Limited and Kshs.1,395,500 in new capital call paid by M/s SAS Shipping Agencies Services SARL, all totalling Kshs.55,742,000.

- ii. Further, the reorganization of share capital entailed transfer of 11,750 ordinary shares of Kshs.1,000 each by M/s Unimar and a similar number of shares by M/s DEG to M/s SAS Shipping Agencies Services SARL.
- iii. The changes in shareholding structure reduced the Kenya Ports Authority equity ownership in the Company by 22% from 75% to 53%, while reducing M/s Unimar and M/s DEG's equity from 13% each to nil and increasing M/s SAS Shipping Agencies Services SARL shareholding from zero to 47%. Information provided indicates that this was done in compliance and fulfilment of a Memorandum of Understanding between the Cabinet Secretary for Infrastructure, Housing and Urban Development and Mediterranean Shipping Company (MSC) of August, 2018. The Memorandum of Understanding required KNSL to give M/S Heywood the opportunity to convert its economic interest in KNSL shareholding and to complete the allocation of necessary shares to increase M/S Heywood's shareholding to not less than 47%.
- iv. The Memorandum of Understanding further required that the restructured KNSL be given a place at the port of Mombasa to operate from. Consequently, a Terminal Operation Agreement transferring the operation and management of Container Terminal 2 (CT2) at the port of Mombasa to KNSL, was signed between the Kenya Ports Authority and the Kenya National Shipping Line Limited on 24 January, 2022. However, available information indicates that there is a court case seeking stoppage of transfer of the operation and management of CT2 to KNSL. The case has not been determined and the information is not disclosed in the financial statements.
- v. In addition, due diligence on MSC and its affiliates was to be concluded and The National Treasury provided an undertaking that all the necessary steps would be followed in order to adhere to the laws, regulations and procedures for achieving better value for the Kenyan public. However, documentary evidence detailing how M/s SAS Shipping Agencies Services SARL was selected as an equity holder in KNSL and whether due diligence on MSC and its affiliates was concluded were not provided for audit review.
- vi. The Company received Government grants of Kshs.77,000,000 during the period under review. It is not clear why grants are sent directly to the Company whose Government shareholding is through Kenya Ports Authority.

In the circumstances, the Company's equity shareholding could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya National Shipping Line Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue amounts of Kshs.738,515,018 and Kshs.385,570,849 respectively resulting in under funding of Kshs.352,944,169 or 47% of the budget. Similarly, the statement reflect final expenditure budget and actual on comparable basis of Kshs.471,742,168 and Kshs.124,786,483 respectively resulting in under utilization of Kshs.346,955,685 or 73% of the budget. The under funding and under utilization may have affected the planned Company activities and may have impacted negatively on service delivery to the public.

Further, the statement reflects final budget of service income of Kshs.370,261,450 against actual income of Kshs.2,792,059 resulting in under collection of revenue of Kshs.367,469,391 or 99% of the budget, an indication of unrealistic budget provision not supported by statistic, established and initiated revenue enhancement strategies and past performance and could have been meant to allow for similar projections of expenditure not backed by actual revenue.

2. Material Uncertainty Related to Going Concern

The Kenya National Shipping Line was listed among the State Corporations recommended and approved for divestiture/dissolution, as per the Executive Office of the President Dispatch from Cabinet Issue No. 1 of 2025 dated 21 January, 2025, paragraphs 7 and 8 (II) and Annex III. The dispatch stipulated that, in line with His Excellency's commitment to enhance accountability in the governance of State Corporations and as part of the austerity measures announced in July, 2024, Cabinet considered and approved the Memorandum on Reforms of State Corporations. However, the Statement of Director's Responsibilities indicated possibility of going concern of the entity without evidence from the cabinet of the reversal of the dissolution decision.

Further, the Performance Information on Operational and Financial Performance under Management Discussion and Analysis on page xxii, indicates that the Company has recorded consistent losses over the past six financial years, with the exception of the 2022/2023 financial year when a profit of Kshs.309,708,160 was realized. The profit was attributed to a court award received from the National Shipping Agencies Company Limited (NASACO) – Tanzania. The statement also indicates that the Company lifted 15 TEUS in 2024/2025 against 42 TEUS in 2023/2024.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Prior Year Unresolved Matters

Several issues were raised in the prior year report under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Internal Controls, Risk Management and Governance as analyzed in Appendix 1. The issues remained unresolved as at 30 June, 2025.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Administrative Costs

The statement of profit or loss and other comprehensive income reflects administrative costs of Kshs.82,208,902 as disclosed in Note 12 to the financial statements. The following anomalies were noted;

1.1 Unauthorized Transport, Travel and Accommodation Costs

The amount includes Kshs.25,955,217 which relates to transport, travel and accommodation. Examination of supporting documents relating to the expenditure revealed the following;

- i. Review of the detailed approved budget extracted from the Government Investment Management Information System (GIMIS) indicated that the original allocation for local and foreign travel amounted to Kshs.7,750,000 and Kshs.2,550,000 respectively, totalling Kshs.10,300,000. The Supplementary I budget, approved on 14 May, 2025, revised the allocations to Kshs.12,000,000 for local travel and Kshs.6,850,000 for foreign travel, bringing the total to Kshs.18,650,000. However, the actual expenditure reported under travel amounted to Kshs.25,955,217, resulting in an over-expenditure of Kshs.7,305,217, representing 39% above the approved supplementary budget which was not explained nor justified by Management.

Further review revealed that conferences and meetings conducted at a cost of Kshs.2,458,627 were held in Kilifi County. Considering the low level of operational activity which generated Kshs.2,792,059 revenue in the year, the costs were not justified. This practice contravenes The National Treasury Circular on Guidelines for the Preparation of the Annual Budget for State Corporations for financial year 2024/2025 and Medium-Term Projections for financial years 2025/2026 and 2026/2027, paragraph 9, which directs those non-essential expenditures such as travel, training, seminars, consultancies, legal expenses, overtime, and other non-core activities be minimized.

- ii. Included in the transport, travelling, and accommodation costs is an amount of Kshs.2,721,268 relating to the purchase of air tickets. Review of supporting documentation for the expenditure indicates that all tickets were procured directly through a travel agent and paid through the cashiers M-Pesa Account. Management did not provide an explanation as to why the service providers were not paid directly from the Company's bank account and the contravention of the second schedule of Public Procurement and Disposal Regulations.

1.2 Irregular Board Expenses

Administrative costs include Kshs.11,832,754 in relation to Board expenses. The Board expenses represent approximately 9.5% of the total operational expenditure of Kshs.124,786,483, which exceeds the limit set under Office of the President Circular No.

OP/CAB.9/1A on Management of State Corporations. The circular provides that Board expenses for any financial year shall be capped at Kshs.30 million or 5% of the operations and maintenance budget, whichever is lower. Further, the Corporate Governance Statement indicates that two Directors attended three out of nine board meetings, casting doubt on their effectiveness to offer strategic direction to the Company.

1.3 Unutilized Office Space

Administration costs include rental expenditure of Kshs.20,959,647. Review of rent payment vouchers and lease agreement provided to support the expenditure revealed that the amount include payment for office space at Imaara building for 12,693 sq. feet. The offer of lease indicated that rent was chargeable at Kshs.100 per square feet and Kshs.20 service fees per month for a six-year lease from 01 August, 2022. However, the lease agreement does not have an exit or termination clause which commits the Company to pay for the six-year period whether they occupy and use the office space or not. Further, the offer letter expressly forbid the transferring, assignment or subletting of the leased office space.

In addition, physical inspection of the leased office space indicated that part of the leased office space on first floor at the Imaara building had not been occupied since the start of the lease period on 01 August, 2022. Records revealed that the Company was occupying third and fifth floors being an equivalent to 6,346 sq feet. Management therefore paid for unutilized office space estimated at 6,000 sq feet, and did not provide the actual executed lease agreement between the Company and the landlord for audit review.

1.4 Unjustified Legal Costs

Administrative costs include legal and professional fees of Kshs.2,000,805 for the year under review and Kshs.1,767,600 for the year ended 30 June, 2024. Review of the supporting evidence indicated that Kshs.3,179,705 had been spent on a court case in an effort to recover Kshs.3,946,339 from a former employee in the two years. As at the time of audit, there was no evidence that Management had evaluated the cost-benefit of continuing litigation or whether recovery was feasible. Previous costs relating to the same case have also not been summarized to adequately compare the costs vis a vis the expected returns, demonstrating inefficient use of resources and poor financial decision-making regarding litigation management.

In the circumstances, value for money on administrative costs of Kshs.82,208,902 could not be confirmed.

2. Inefficiency in Operations and Use of Public Resources

The Company generated operating revenue of Kshs.2,690,175 during the year under review after spending Kshs.41,303,254 as employment cost on the nineteen (19) staff and a further Kshs.82,208,902 as general administration costs. The previous year the Company generated operating revenue of Kshs.1,990,397 after spending Kshs.37,298,046 as employment costs on nineteen (19) staff and a further Kshs.83,837,227 as administration costs. The trend demonstrates loss of public

resources through confirmed payment of salaries and other administration costs while there is virtually no productivity.

The recurring deficits have progressively eroded the Company's capital base, contrary to the principle of capital maintenance, which requires entities to preserve their financial capacity to sustain operations and deliver future services. In the circumstances, the Company's continued operations under persistent loss-making conditions reflect inefficiency in operations and imprudent use of public resources, undermining value for money and long-term financial sustainability.

In the circumstances, value for money on expenditure incurred by the Company could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Non-Implementation of Planned Strategic Plan Activities

Review of the statement of profit or loss and other comprehensive income indicates administrative expenses of Kshs.82,208,902 as disclosed in Note 12 to the financial statements. The expenditure includes Kshs.324,153 in respect of strategic plan implementation costs. However, a review of progress against the strategic plan revealed that the organization has not realized its set strategic targets, despite being halfway into the plan implementation cycle. The plan projected an increase in cargo volume to 250 TEUs in 2023, generating Kshs.9 million in revenue and a market share increase of 0.0017%. Further, by 2024, cargo volume was expected to increase to 185,910 TEUs, with revenues rising to Kshs.41,492,690 and market share to 13.27%. However, no evidence was provided to show achievement of these milestones or linkage of performance contracts to strategic plan deliverables. To date, the entity has incurred Kshs.4,602,860 in expenses related to strategic plan activities over the last two financial years without tangible outputs or measurable results.

In the circumstances, the effectiveness of Management in execution of strategic plan could not be confirmed.

2. Loss of Interest Income on Idle Funds Held in Operations Account

Review of the Company's bank statements revealed that the fixed deposit facility of Kshs.300,000,000 was retired on 19 November, 2024. At the time of audit in October, 2025, the funds were still being held in the Company's operations account and remained unused. The continued holding of these funds in a non-interest-bearing operations account resulted in forgone income estimated at Kshs.11,484,042, based on the interest income earned from the same facility in the previous year. This indicates inefficient cash management and suboptimal utilization of available funds.

In the circumstances, the effectiveness of Management decisions over the Company investments could not be confirmed.

3. Weak Access Controls

Review of the Company information systems revealed that the Company uses QuickBooks accounting software and from a review of the list of active users a number of share login credentials to access the system. Further, review of user profiles revealed that several users within the accounts department had identical access levels, with no clear segregation of duties. Some users with approval roles were also granted rights to create transactions. In addition, no one had been identified as the system administrator.

In the circumstances, lack of a system administrator exposes the Company systems to abuse.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion, I confirm that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. Information given in the Directors' report on page xxix is consistent with the financial statements; and

- iii. The auditable part of the Directors' remuneration report on page 22 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial

statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 November, 2025

Appendix 1: Unresolved Prior Year Matters Financial Year 2023/2024

S/No	Issue
1.	Trade and other receivables balance
2.	Current liability due to related parties
3.	Unsupported Income Tax Expense
4.	Non-Compliance with International Accounting Standards (IAS) 20 on Accounting for Government Grants
5.	Change in Ordinary Share Capital
6.	Property, Plant and Equipment Balance
7.	Unsupported Loan Repayment
8.	Budgetary Control and Performance
9.	Irregular Accumulation of Leave Days
10.	Use of Outdated Service Income Rates and Performance
11.	Wasteful Rental Expenditure
12.	Borrowings - COMESA Filing Fee
13.	Non-Compliance with Board Expenses Guidelines
14.	Weaknesses in Imprest Management

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

16 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2025

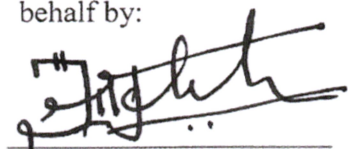
	Note	2024-2025	2023-2024
		Kshs	Kshs
REVENUES			
Service Income	7	2,792,059	2,057,542
Service Costs	8	(101,884)	(67,145)
Gross Profit		2,690,175	1,990,397
OTHER INCOME			
Other Income	9	14,525,222	33,980,876
Other Gains and Losses	10	(804,965)	(4,651,431)
TOTAL REVENUES		13,720,257	31,319,842
OPERATING EXPENSES			
Employment Costs	11	(41,303,254)	(37,298,046)
Administration Costs	12	(82,208,902)	(83,837,227)
Depreciation of vehicles and equipment	16	(1,242,774)	(1,454,882)
Amortization of Intangible Assets	17	(31,553)	(31,551)
TOTAL OPERATING EXPENSES		(124,786,483)	(122,621,706)
PROFIT/(LOSS) BEFORE TAXATION		(108,376,050)	(91,301,864)
INCOME TAX EXPENSE/(CREDIT)	13-14	-	-
TOTAL COMPREHENSIVE PROFIT/(LOSS)		(108,376,050)	(91,301,864)
FOR THE YEAR			

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

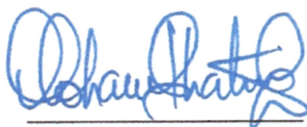
17 STATEMENTS OF FINANCIAL POSITION AS AT JUNE 30, 2025

	Note	2024-2025	2023-2024
ASSETS		Kshs	Kshs
Non-Current Assets			
Property, Plant and Equipment	16	3,394,941	4,502,694
Intangible assets	17	-	31,551
Total Non-Current Assets		3,394,941	4,534,245
Current Assets			
Inventory & stores	18	554,666	613,208
Trade and other receivables	19	48,614,996	46,330,588
Bank and cash balances	20	348,016,127	381,660,774
Total Current Assets		397,185,789	428,604,570
TOTAL ASSETS		400,580,730	433,138,815
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	168,600,000	168,600,000
Capital grants from Government	21	260,000,000	183,000,000
Retained Earnings / (Accumulated deficit)		(85,507,224)	22,868,826
Capital and Reserves		343,092,776	374,468,826
Current Liabilities			
Trade and other payables	22	21,675,166	23,086,884
Due to related party	23	35,812,788	35,583,105
Total Current Liabilities		57,487,954	58,669,989
TOTAL EQUITY AND LIABILITIES		400,580,730	433,138,815

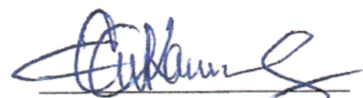
The financial statements were approved by the Board on ^{31 July}.....2025 and signed on its behalf by:



Lt. Gen (Rtd) Levi Franklin Mghalu
Chairman of the Board



Abdallah Hatimy
Managing Director



CPA Gerald Kamau
Manager, Accounts
ICPAK M/No: 18488

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

18 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2025

	Ordinary Share Capital	Funds Awaiting Allotment Of Shares	Capital Grants from Government	Accumulated Deficit	Total
2024	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1 , 2023	168,600,000	-	65,000,000	114,170,690	347,770,690
Total comprehensive Profit for the year	-	-	-	(91,301,864)	(91,301,864)
Write – Back for Grants from Government			-	-	-
Allotment of Shares	-	-	-	-	-
New Capital Call	-	-	-	-	-
Capital grants received during the year From Government	-	-	118,000,000	-	118,000,000
At June 30, 2024	168,600,000	-	183,000,000	22,868,826	374,468,826
2025					
At July 1, 2024	168,600,000	-	183,000,000	22,868,826	374,468,826
Total comprehensive loss for the year	-	-	-	(108,376,050)	(108,376,050)
Write-Back of Grants from Government	-	-	-	-	-
Capital grants received during the year From Government	-	-	77,000,000	-	77,000,000
At June 30, 2025	168,600,000	-	260,000,000	(85,507,224)	343,092,776

(Note 21)

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

19 STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used) in operations	25	(110,509,624)	(108,676,197)
Interest received		-	-
Interest paid		-	-
Taxation paid		-	-
Net cash generated from / (used in) operating activities		(110,509,624)	(108,676,197)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment	16	(146,068)	(3,255,042)
Purchase of intangible assets		-	-
Proceeds from disposal of assets		11,045	1,000
Net cash used in investing activities		(135,023)	(3,254,042)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Capital Grants from Shareholder - Government Disbursement	21	77,000,000	118,000,000
Proceeds from borrowings from Shareholder - Shipping Agencies Services SARL		-	(22,211,000)
Net cash generated from financing activities		77,000,000	95,789,000
INCREASE/(DECREASE) IN CASH AND CASH		(33,644,647)	(16,141,239)
CASH AND CASH EQUIVALENTS AT BEGINNING OF		381,660,774	397,802,013
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		348,016,127	381,660,774

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

**20 STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE YEAR ENDED JUNE 30, 2025**

	Original Budget	Adjustments	Revised Budget (Revision 1 Budget)	Final Budget (Supplementary 2)	Actual on Comparable Basis	Performance Difference	% of Utilisation
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue							
Service Income	15,000,000	355,261,450	370,261,450	370,261,450	2,792,059	367,469,391	0.75
Government grants	107,000,000	-	107,000,000	77,000,000	77,000,000	-	100
Other Income	-	-	-	-	14,525,222	(14,525,222)	-
NASACO Funds – rolled over	-	291,253,568	291,253,568	291,253,568	291,253,568	-	100
Total income	122,000,000	646,515,018	768,515,018	738,515,018	385,570,849	352,944,169	
Expenses							
Employment Costs	51,846,078	1,850,000	53,696,078	41,496,078	41,303,254	192,824	99.53
Administration Expenses (Use of Goods & Services)	41,853,614	346,715,599	388,569,213	400,769,213	61,249,255	339,519,958	15.28
Rent	21,398,778	0	21,398,778	21,398,778	20,959,647	439,131	97.94
Depreciation of assets	3,251,530	4,826,569	8,078,099	8,078,099	1,274,327	6,803,772	15.77
Total Expenditure	118,350,000	353,392,168	471,742,168	471,742,168	124,786,483	346,955,685	
Acquisition of other capital items	3,650,000	23,430,000	27,080,000	27,080,000	146,068	26,933,932	0.53
Total expenditure	122,000,000	376,822,168	498,822,168	498,822,168	124,932,551	373,889,617	
Surplus/(Deficit) for the period	0	269,692,850	269,692,850	239,692,850	260,638,298	(20,945,448)	

NOTES

1. The variance in revenue collection is due to the delay in implementation of project Mashariki due to late approval of the revised budget.
2. During supplementary 2, KNSL recurrent grants were reduced by Kshs. 30 million.
3. There was other income of Kshs. 291,253,568 relating to court compensation in Tanzania which was received in FY 2023/24 and hence included in the budget to fund implementation of project mashariki.
4. Due to delay in implementation of project mashariki, the corresponding operation and maintenance expenditure ie. vessel chartering were not incurred under use of goods and services.
5. The depreciation costs were not incurred since the Company did not acquire other capital items due to delay in approval of revised budget.

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

21 NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya National Shipping Line Ltd is established by and derives its authority and accountability from Kenya Company's Act. The entity is a State Corporation with the Government of Kenya through the Kenya Ports Authority owning 53% of its shareholding. The Company is domiciled in Kenya and the principal activities are shipping, clearing and forwarding and crew & manning services.

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 entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kenya National Shipping Line Ltd. 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 present.

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

- (i) *Relevant new and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

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

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

(i) *Relevant new and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS)	The amendments specify: i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.	1 January 2026.
--	--	-----------------

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.

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

Title	Description	Effective Date
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

iii) Early adoption of standards

The Company did not early – adopt any new or amended standards in year 2024.

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF ACCOUNTING POLICIES

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognised in the year in which the Company renders the shipping services to the customer; the customer has accepted the services and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognised in the year in which the *Company* actually receives such grants. Recurrent grants are recognized in the statement of financial position.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Other income** is recognised as it accrues.

b) In-kind contributions

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

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

d) Depreciation

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset over their expected useful lives at the following annual rates:

Vehicles	25%
Furniture, fittings and equipment	12.5%
Computers	33.33%
Containers	25%

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

e) Intangible Assets

Computer software costs are recognised as intangible assets and are stated at cost less accumulated amortisation. Acquisition costs are amortised on the straight- line basis over the expected useful lives, not exceeding a period of three years.

f) Impairment

At the end of each reporting period, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a decrease in the revaluation surplus.

g) Accounting for leases

The company as lessee

Rentals payable are of low value and are charged to the profit or loss.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, transportation and handling charges, and is determined on the moving average price method.

i) Trade and other receivables

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

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

j) Taxation

i) Current income tax

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

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

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

k) 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.

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

k) Deferred tax (Continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

m) 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.

n) Retirement benefit obligations

The company operates a defined contribution scheme for all full-time employees. The scheme is administered by an independent fund manager and is funded by contributions from both the company and its employees.

The Company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Fund Act. The company's obligations under this scheme is limited to specific contributions legislated from time to time and is currently at Ksh. 4,320 per employee per month.

o) Provision for staff leave pay

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

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

p) 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.

q) Budget Information

The original budget for financial year 2024/2025 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented in page 5 of these financial statements.

r) Comparatives Figures

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

s) 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

In the application of the company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgment in applying the entities accounting policies and sources of estimation uncertainty are dealt with below:

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Critical judgements in applying accounting policies

There are no critical judgments, apart from those involving estimations [see (b) below], that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(b) Key sources of estimation uncertainty

Impairment losses

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Vehicles, equipment and intangible assets

Critical estimates are made by the directors in determining depreciation rates for vehicles, equipment and intangible assets.

Contingent liabilities

As disclosed in note 24 to these financial statements, the company is exposed to various contingent liabilities in the normal course of business including number of outstanding legal cases. The directors evaluate the status of these exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. GOING CONCERN

As at June 30, 2025 the Company had an Accumulated deficit of Ksh (85,507,224) and a Retained Earnings of Ksh. 22,868,826 as at June 30, 2024. The current assets and current liabilities are Ksh 397,185,789 and Ksh 57,487,954 respectively. The Company registered a loss for the year ended 30 June 2025 of Ksh 108,376,050 and of Ksh. 91,301,864 in the year ending 30 June 2024.

The directors and management are pursuing a number of strategies to ensure the company returns to profitable trading. These measures include the implementation of project *Mashariki*.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. SERVICE INCOME

Description	2024-2025	2023-2024
	Kshs	Kshs
Shipping Revenues	2,323,944	182,207
Clearing & Forwarding Revenues	468,115	1,875,335
Total	2,792,059	2,057,542

8. SERVICE COSTS

Description	2024-2025	2023-2024
	Kshs	Kshs
Empty Container storage- Africa	30,300	53,550
Clearing expenses	71,584	13,595
Total	101,884	67,145

9. OTHER INCOME

Description	2024-2025	2023-2024
	Kshs	Kshs
Other miscellaneous receipts	928,442	-
Other Income – Trade payables write-back	-	8,900,054
Other Income – Interest from commercial banks	13,596,780	25,080,822
Total	14,525,222	33,980,876

KENYA NATIONAL SHIPPING LINE LTD
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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. OTHER GAIN AND LOSSES

Description	2024-2025	2023-2024
	Kshs	Kshs
Gains on foreign rate of exchange – Un-Realised	1,664,377	2,123,923
Losses on foreign rate of exchange – Un-Realised	(2,469,342)	(785,358)
Losses on foreign rate of exchange – Realised	-	(5,989,000)
Gains/losses on sale of assets	-	(1,000)
Total	(804,965)	(4,651,435)

11. EMPLOYMENT COSTS

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries	28,819,561	24,407,843
Employer's Contribution to Pension Scheme	3,484,234	4,047,125
Medical Cover expenses	6,836,043	5,782,579
Group Personal Accident Cover	189,523	204,707
Group Life Cover	550,695	552,616
Staff welfare and Recruitment	403,457	1,633,896
Employer's contribution to affordable housing levy	361,128	320,460
Employer's contributions to NSSF	658,613	348,820
	41,303,254	37,298,046
The average number of employees at the end of the		
Permanent employees – management	5	5
Permanent employees – non-management	14	14
Secondment and Contracted employees	1	1
Total	20	20

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FOR THE YEAR ENDED JUNE 30, 2025

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. ADMINISTRATION COSTS

Description	2024-2025	2023-2024
	Kshs	Kshs
Advertising and Marketing	3,472,615	4,922,551
Audit fees	450,000	450,000
Bank charges	148,557	175,356
Electricity & water	1,255,307	1,429,459
Hospitality/Entertainment	1,255,669	825,775
Insurance Costs	241,543	402,846
Legal and professional Fees	2,000,805	1,767,600
General Office Expenses	180,916	1,287,635
Motor vehicle Expenses	898,863	675,052
Penalties	0	15,479
Rental	20,959,647	20,627,798
Repairs and maintenance	272,818	463,155
Corporate Social Responsibilities (CSR)	599,670	384,550
Subscriptions & renewals	183,400	456,654
Staff training	8,487,823	6,926,213
Strategic Plan	324,153	4,278,716
Digitization, manuals and policies	2,739,256	2,999,848
Telecommunication	949,889	943,487
Transport, travel & accommodation	25,955,217	19,951,786
Board Expenses	11,832,754	14,853,267
Total	82,208,902	83,837,227

KENYA NATIONAL SHIPPING LINE LTD
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FOR THE YEAR ENDED JUNE 30, 2025

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. OPERATING PROFIT / (LOSS)

Description	2024-2025	2023-2024
	Kshs	Kshs
The operating profit/(loss) is arrived at after		
Employment Costs (Note 11)	49,791,077	44,224,259
Depreciation of property, plant and equipment	1,242,774	1,454,882
Amortisation of intangible assets	31,553	31,551
Provision for bad and doubtful debts	-	-
Directors' emoluments	1,020,000	1,014,900
Auditors' remuneration - current year fees	450,000	450,000
Net foreign exchange loss	2,469,342	6,774,358

14. TAXATION

(a) Current taxation	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior period under-provision for deferred tax	-	-
(b) Reconciliation of tax expense/(credit) to the expected tax based on profit		
Profit/(Loss) before taxation	(108,376,050)	(91,301,864)
Tax at the applicable tax rate of 30%	(32,512,815)	(27,390,559)
Tax effects of expenses not deductible for tax purposes	2,748,754	3,353,248
Tax effects of income not taxable	(2,871,449)	(2,009,262)
Total	(29,764,061)	(24,037,311)

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. DEFERRED TAXATION

As at 30 June 2025, the Company has a deferred tax asset from accumulated losses amounting to Kshs 387,858,863 which has not been recognised in these financial statements because of the uncertainty regarding the company's ability to generate sufficient future taxable profits against which the accumulated tax losses can be utilised.

16. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Containers	Computers	Furniture & equipment	Total
2024	Ksh	Ksh	Ksh	Ksh	Ksh
At July 1, 2023	8,704,201	988,737	2,817,720	3,691,038	16,201,696
Additions		-	924,142	2,330,900	3,255,042
Disposals	(121,000)	-	-	-	(121,000)
At June 30, 2024	8,583,201	988,737	3,741,862	6,021,938	19,335,738
DEPRECIATION					
At July 1, 2023	8,703,201	987,715	1,492,565	2,314,684	13,498,165
Charge for the year			862,748	592,134	1,454,882
Eliminated on disposal	(120,000)	-	-		(120,000)
At June 30, 2024	8,583,201	987,715	2,355,700	2,906,818	14,833,047
NET BOOK VALUE					
At June 30, 2024	-	1,022	1,386,163	3,115,120	4,502,694
2025					
COST					
At July 1, 2024	8,583,201	988,737	3,741,862	6,021,938	19,335,738
Additions				146,068	146,068
Disposals			(224,430)	(328,484)	(552,914)
At June 30, 2025	8,583,201	988,737	3,517,433	5,839,522	18,928,892
DEPRECIATION					
At July 1, 2024	8,583,201	987,715	2,355,700	2,906,431	14,833,047
Charge for the year			697,617	545,157	1,242,774
Eliminated on disposal			(224,423)	(317,447)	(541,870)
At June 30, 2025	8,583,201	987,715	2,828,894	3,134,141	15,533,951
NET BOOK VALUE					
At June 30, 2025	-	1,022	688,539	2,705,381	3,394,941

KENYA NATIONAL SHIPPING LINE LTD
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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. INTANGIBLE ASSETS

Description	2024-2025	2023-2024
	Kshs	Kshs
Cost		
At July 1 2023	737,434	737,434
Additions	-	-
Disposals	-	-
At June 30 2024	737,434	737,434
Amortisation		
At July 1 2024	705,883	674,332
Charge For the Year	31,553	31,551
Disposals	-	-
At June 30 2025	737,436	705,883
Net Book Value		
At June 30 2025	-	31,551

At 30 June 2025, intangible assets with a cost of Sh 252,414 had been fully amortised.

18. INVENTORIES

Description	2024-2025	2023-2024
	Kshs	Kshs
Stationery and general stores	698,000	756,542
Provision for obsolete stocks	(143,334)	(143,334)
Total	554,666	613,208

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. TRADE AND OTHER RECEIVABLES

Description	2024-2025	2023-2024
	Kshs	Kshs
Trade receivables (Note 19a)	5,059,507	3,576,288
Deposits and prepayments	6,202,085	13,079,921
VAT recoverable	27,273,814	22,393,560
Other receivables (Note 19b)	10,079,590	7,280,819
Total	48,614,996	46,330,588

19 (a) Trade Receivables

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross Trade Receivables	43,171,036	41,708,328
Provision for Doubtful Receivables	(38,111,529)	(38,132,040)
Net Trade Receivables	5,059,507	3,576,288
At June 30, the ageing analysis of Short term Trade Receivables was as follows:		
Less than 30 Days	10,000	778,978
Between 30 and 60 Days	-	-
Between 61 and 90 Days	-	-
Between 91 and 120 Days	-	-
Between 120 Days to 1 year	5,049,507	2,797,310
Total	5,059,507	3,576,288

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19(b) Other Receivables

Description	2024-2025	2023-2024
	Kshs	Kshs
Sundry Debtors	4,254,319	4,254,319
Containers Claims Receivable	9,306,602	9,900,047
Other Recoverable & Business Travel	11,288,784	8,263,700
Gross Other Receivables	24,849,705	22,418,066
Provision for Other Receivables	(14,770,115)	(15,137,247)
Net Trade Receivables	10,079,590	7,280,819

20. BANK AND CASH BALANCES

	2024-2025	2023-2024
	Kshs	Kshs
Kenya Commercial Bank (Kshs A/C)	333,429,751	67,447,258
Kenya Commercial Bank (Usd A/C)	6,169,922	6,382,858
Absa Bank Kenya PLC - Khs A/C	5,555,785	4,924,605
Absa Bank Kenya PLC - Usd A/C	2,860,670	2,866,053
Cash in Hand	-	40,000
Fixed Deposit	-	300,000,000
Total	348,016,127	381,660,774

21. SHARE CAPITAL

21(a) ORDINARY SHARE CAPITAL

Description	2024-2025	2023-2024
	Kshs	Kshs
Authorized:		
200,000 Ordinary Shares of Kshs 1,000 par value each	200,000,000	200,000,000
Issued and Fully paid:		
168,600 Ordinary Shares of Kshs 1,000 par value each	168,600,000	168,600,000

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 SHARE CAPITAL (Continued)

21(b) CAPITAL GRANTS FROM GOVERNMENT

In the year under review, the Company received capital grants from the Government amounting to Kshs 77,000,000 (Kshs. 118,000,000 and Kshs. 65,000,000 for FY 2023/24 and 2022/23 respectively) which continue to be carried in the statement of financial position as capital grants until such time that an alternative way of reorganising share capital is agreed upon between the shareholders.

22. TRADE AND OTHER PAYABLES

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	12,471,927	12,211,070
Accruals	4,526,694	5,930,010
Other Payables	4,676,545	4,945,804
Total	21,675,166	23,086,884

23. RELATED PARTY BALANCE AND TRANSACTIONS

(a) Kenya Ports Authority and Mediterranean Shipping Co Ltd

	2024-2025	2023-2024
	Kshs	Kshs
Kenya Ports Authority (KPA)	26,675,186	26,675,186
Mediterranean Shipping Co Ltd (Shipping Agencies)	9,137,602	8,907,919
Total	35,812,788	35,583,105

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 RELATED PARTY BALANCE AND TRANSACTIONS (Continued)

Kenya Ports Authority and Mediterranean Shipping Co Ltd (Shipping Agencies Services SARL) are the shareholder of Kenya National Shipping Line Ltd, holding 53% and 47% of the company's equity interest respectively.

(b) Other related parties include - The Parent Ministry, Board of Directors and Key Management.

(c) Transactions with related parties

	2024-2025	2023-2024
	Kshs	Kshs
(i) Grants from National Government	77,000,000	118,000,000
Total	77,000,000	118,000,000
(ii) Key Management Compensation		
Directors' Emoluments (Honorarium & Telephone)	1,020,000	1,014,900
Compensation to CEO and Key Management	13,250,968	13,963,840
Total	14,270,968	14,978,740

24 CONTINGENT LIABILITIES

There are ongoing legal claims for specific damages which have been brought against the Company by former employees. Based upon legal opinions received, the directors do not anticipate that these claims will result in significant losses to the company.

KENYA NATIONAL SHIPPING LINE LTD
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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 NOTES TO THE STATEMENT OF CASH FLOWS

	2024-2025	2023-2024
	Kshs	Kshs
(a) Reconciliation Of Operating Profit/ (Loss)		
To Cash Generated From/(Used In)		
Profit/(Loss) for the year	(108,376,050)	(91,301,864)
Depreciation	1,242,774	1,454,882
Amortisation	31,553	31,551
(Gain) on disposal of Equipment	-	-
Deferred Income	-	-
Profit/(Loss) before Working Capital changes	(107,101,723)	(89,815,431)
(Increase)/Decrease in Trade and Other Receivables	(2,284,408)	(7,156,927)
(Increase)/Decrease in Inventories	58,542	(43,458)
Increase/(Decrease) in Trade and Other Payables	(1,411,718)	(10,632,490)
Net movement in related company balance	229,683	(1,027,891)
Cash Generated from/(used In) operations	(110,509,624)	(108,676,197)

26 FINANCIAL RISK MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The company's overall strategy remains unchanged from 2024.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the financial Statements.

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives

The company's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and interest rates and changes in market prices of the company's services. 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 extended to customers with an established credit history.

(i) Credit risk management

Credit risk refers to the risk that customers will default on their contractual obligations resulting in financial loss to the company.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The credit risk on trade receivables is limited because the customers are known customers with high credit ratings. The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

The amount that best represents the company's maximum exposure to credit as at 30 June 2025 and 30 June 2024 is made up as follows:

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk management (Continued)

2025

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2025				
Trade Receivables	41,601,116	10,000	-	41,591,116
Bank balances	348,016,127	348,016,127	-	-
Total	389,617,243	348,026,127	-	41,591,116
At 30 June 2024				
Trade Receivables	41,708,328	778,978	-	40,929,350
Bank balances	381,660,774	381,660,774	-	-
Total	423,369,102	382,439,752	-	40,929,350

Cash and cash equivalents are fully performing. The customers under the fully performing category are paying their debts as they continue trading. The default rate is low. The debts that are due are not impaired and continue to be paid. The debts that are impaired have been fully provided for.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the company's short and medium-term funding and liquidity management requirements. The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
At 30 June 2025	Kshs	Kshs	Kshs	Kshs
Trade payables	594,948	902,954	9,633,793	11,131,695
Due to related company	-	-	35,583,105	35,583,105
Total	594,948	902,954	45,216,898	46,714,800
At 30 June 2024				
Trade payables	1,053,522	779,346	10,378,202	12,211,070
Due to related company	-	-	35,583,105	35,583,105
Total	1,053,522	779,346	45,961,307	47,794,175

(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.

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

(a) Foreign currency risk management

The company undertakes certain transactions denominated in foreign currencies primarily in US Dollars. The fluctuations in currency exchange rates result in changes in the value of monetary assets and monetary liabilities denominated in foreign currencies hence exposures to the risk of incurring exchange losses. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2024-2025	2023-2024
	Kshs	Kshs
Assets		
Trade and other receivables		
US Dollars	4,909,300	2,925,098
Euros	541,404	571,570
Sterling Pounds	40,864	34,345
Swedish Krona (SK)	21,216	10,844
Total	5,512,784	3,541,857
Bank and cash balances		
US Dollars	9,030,592	9,248,911
Total	9,030,592	9,248,911
Liabilities		
<i>Trade and other payables</i>		
US Dollars	5,747,020	6,406,638
Euros	1,493,657	1,262,950
Swedish Krona (SK)	32,237	31,721
Total	7,272,914	7,701,309

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

(b) Foreign Currency Sensitivity Analysis

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At 30 June 2025, if the Kenya Shilling had weakened/strengthened by 10% against the relevant foreign currencies with other variables held constant, the impact on the Company's Statement of Comprehensive Income for the year would have been higher/lower by Sh 0.90M (2022: 0.62M). In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year/period.

(c) Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the Company's fixed deposits and borrowings. The Company does not have any bank borrowings. It's therefore not subject to interest rate risk.

(d) Price risk

The Company does not have financial instruments subject to price risk hence this risk is not relevant.

27 OPERATING LEASE RENTAL COMMITMENTS

Description	2024-2025	2023-2024
	Ksh	Ksh
Rental	20,959,647	20,627,798

The Company has an operating lease agreement of six years which became effective 1st August 2022. The operating lease liability based on the outstanding lease period of 37 months is Kshs. 58.54 million exclusive of applicable taxes.

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 INCORPORATION

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

29 EVENTS AFTER THE REPORTING PERIOD

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

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22. APPENDICES

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved	Timeframe
1.	Unsupported Trade and Other Receivables Balance	i. The trade and other receivables balance include VAT recoverable of Kshs.22,393,560. The schedule provided to support the amount indicates that the entity claimed VAT inputs of Kshs. 370,377 for the month of June 2024. However, the amount differ from the taxpayers returns for the month of June that had VAT Input claims of Kshs.1,832,346 resulting in unreconciled variance of Kshs. 1,461,969. ii. Note 19(a) to the financial statements reflects net total trade and other receivables balance of Kshs. 3,576,288 after provision for doubtful trade receivables of Kshs. 38,132,040. However, the Company lacks documented policies, financial procedures, controls and processes on the assessment and treatment of provision for bad and doubtful debts. iii. A letter ref ZZ MOF 279/01 dated 21 February 2023 to the Company from The National Treasury requested for a detailed brief of the losses of Kshs.32 million and efforts made by the Company to recover them to enable the Cabinet Secretary Treasury and National Planning	Resolved	-

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved	Timeframe
		write a memorandum to the Cabinet requesting the for debts write off. However, did not provide information to confirm that they had prepared the brief 1 year and 8 months following the request Kshs.65,000,000 was not explained or reconciled. iv. Note 19 (a) and (b) to the financial statements reflect a decrease of Kshs. 906,745 and Kshs 193,628 in respect of provision for trade receivables and other receivables respectively, all totaling Kshs. 1,100,373. The reduction in the provision for doubtful receivables has not been accounted for in the statement of profit or loss and other comprehensive income. v. Note 19 (b) reflects other recoverable and business travel of Kshs. 8,263,700. Review of the general ledger and information provided by management indicated that the amount comprises of accountable imprest issued to the staff. However, a schedule detailing the amount issued, date issued, amount accounted, date accounted and balance due from individual employees was not provided for audit. In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs. 46,330,588 could not be confirmed.		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved	Timeframe
2.	Inaccurate and Unsupported Due to Related Parties	The statement of financial position reflects current liability due to related party balance of Kshs. 35,583,105 as disclosed in Note 23 to the financial statements. The balance includes Kenya Ports Authority (KPA) balance of Kshs.26,675,186 which differ from balance reflected in KPA financial statements of Kshs. 28,178,000 resulting in unreconciled variance of Kshs. 1,502,814. Further, the balance includes Kshs. 8,907,919 due to Mediterranean Shipping Co. Ltd which has not been supported with fee notes or invoices for services rendered. In the circumstances, the accuracy and completeness of current liability due to related party of Kshs. 35,583,105 could not be confirmed.	Resolved	-
3.	Unsupported Income Tax Expense	The statement of profit or loss and other comprehensive income reflect Nil income tax expense for the year as disclosed in Note 14 to the financial statements. The reconciliation of tax expense to the expected tax based on profit include Kshs. 3,353,248 being tax effects on expenses not deductible for tax purposes and Kshs. 2,009,262 in respect of and tax effects on income not taxable. However, the composition and details of the expenses and incomes referred to above were not provided for audit. Further, the reconciliation yield a balance that is a tax loss of Kshs.24,037,311 which has not been reconciled to the balance in the statement of profit or loss and other comprehensive income	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		In the circumstances, the accuracy and completeness of tax expense could not be confirmed.		
4.	Unsupported Training Expenditure	i. The statement of profit or loss and other comprehensive income reflects employment costs of Kshs.44,224,259 as disclosed in Note 11 to the financial statements. The amount includes staff training, welfare and recruitment expenditure of Kshs. 8,560,109. However, training expenditure of Ksh.5,399,236 was not supported with tax invoices, work tickets/evidence of travel, attendance registers and certificates on completion of the courses. Further, an amount of Kshs.3,888,189 relates to planned training activities where no confirmation existed to indicate that the training they took place. The expenditure was supported by a schedule of proposed training programs and their estimated cost including transport and subsistence allowances. ii. In addition, audit examination of the training report for the year indicated that eleven (11) staff were trained on 15 different courses from the one approved by the board in the annual training program. submitted for audit review indicated significant differences with what had been approved by the board. One staff undertook a similar course they had done in the last two years without proper justification and additional value to the participants.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		In the circumstances, the accuracy and validity of the employment costs of Kshs. 44,224,259 could not be confirmed		
5.	Non-Compliance with International Accounting Standards (IAS) 20 on Accounting for Government Grants	i. The statement of financial position reflects capital grants from Government of Kshs.183,000,000. The balance includes amount of Kshs.118,000,000 being grants received during the year for operational support. However, the amount was not disclosed in the statement of profit and loss and other comprehensive income, yet it was intended for operational support for recurrent expenditure. This is contrary to the requirements under IAS 20 on treatment of government grants and the matching principle. Further, the statement of changes in equity reflects write back for capital grants from Government to accumulated deficit of Kshs.449,090,000 an indication that the grants could have been provided to cover operational expenditure. The write back is inconsistent with the treatment of the grants received during the year which was treated as a capital grant. In the circumstances, the completeness and accuracy of government grants of Kshs.183,000,000 could not be confirmed.	Resolved	
6.	Unsupported Board of	The statement of profit or loss and other comprehensive income reflects administration costs of	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	Directors Expenses	Kshs.76,911,014 as disclosed in Note 12 to the financial statements out of which Kshs.14,853,267 is in respect of board expenses. The board expenses represent approximately twelve percent (12%) of the total operational expenditure of Kshs.122,168,102. This is contrary to Circular no OP/CAB.9/1A dated 11 March, 2020 on management of state corporations which requires Board expenses for financial year to be capped at Kshs.30 million or 5% of the operations and maintenance budget. Further, a schedule indicating payments made to each director for various activities and attendance to the meetings was not provided. We therefore could not confirm compliance with the directives on governance. In the circumstances, the regularity, completeness and accuracy of board expenses of Kshs.14,853,267 could not be confirmed.		
7.	Non- Compliance with Public Sector Accounting Standards Reporting Template	i. The Corporate Governance Statement under Board Committees' does not disclose the number of meetings held by each committee. ii. Workings to support the figures in note 26 (ii) and (iii) on risk management have not been provided for audit review. iii. The breakdown of specific trade and other receivables denominated in foreign currency in note 26 (iii) (a) has not been provided for audit review.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved	Timeframe
		iv. Note 27 shows operating lease rental of Kshs. 20,627,798. This amount represents the rent paid as per the lease agreement during the year under review. However, the operating lease liability based on the outstanding lease period has not been disclosed.		

Managing Director:



Date:

ST
31 JULY 2025

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22. APPENDICES (Continued)

APPENDIX I1: PROJECTS IMPLEMENTED BY KNSL

The Company is undergoing restructuring as a National Carrier. During the year under review, the Company did not implement any projects.

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22. APPENDICES (Continued)

APPENDIX III: INTER-ENTITY TRANSFERS

	KENYA NATIONAL SHIPPING LINE LTD		
	FY 2024/2025		
a.	Recurrent Grants – <i>Transfers from the State Department for Shipping and Maritime Affairs</i>		
	Bank Statement Date	Amount (KShs)	Financial Year
	24-09-2024	8,916,667.00	2024-2025
	24-09-2024	8,916,667.00	2024-2025
	19-12-2024	17,833,333.40	2024-2025
	17-01-2025	8,916,666.70	2024-2025
	11-04-2025	9,261,904.00	2024-2025
	11-04-2025	4,630,952.00	2024-2025
	11-04-2025	4,630,952.00	2024-2025
	30-05-2025	9,261,184.00	2024-2025
	18-06-2025	4,631,673.90	2024-2025
	Total	77,000,000	

The above amounts have been communicated to and reconciled with the parent Ministry.

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22. APPENDICES (Continued)

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA Transferring the funds				Where Recorded/ recognized
	Date received as per bank statement	Nature: Recurrent/ Developme nt/ Others	Total Amount - Kshs	Capital Fund - Kshs
Ministry of Blue economy, Mining and Maritime Affairs - State Department for Shipping & Maritime Affairs	24-09-2024	Recurrent	77,000,000	77,000,000
	24-09-2024			
	19-12-2024			
	17-01-2025			
	11-04-2025			
	11-04-2025			
	11-04-2025			
	30-05-2025			
	18-06-2025			
Total			77,000,000	77,000,000