

REPUBLIC OF KENYA



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ON

KENYA NATIONAL SHIPPING LINE LIMITED

FOR THE YEAR ENDED 30 JUNE, 2024

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 MAR 2025	DAY: FRIDAY
TABLED BY:	DEPUTY MAJORITY LEADER CHON. OWEN BAYA, MP)
CLERK-AT-THE-TABLE:	IRENE NOUKU



KENYA NATIONAL SHIPPING LINE LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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1. ACRONYMS AND GLOSSARY OF TERMS

GoK	Government of Kenya
KNSL	Kenya National Shipping Line Ltd
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

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, foreign exchange and savings 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. LTG (Rtd) Levi Franklin Mghalu, MGH - Chairman - Appointed on 05.08.2022
2. Hon. Geoffrey E. Kaituko, - PS, Shipping & Maritime Affairs - Appointed on 05.10.2023
3. Dr. Chris K. Kiptoo, PhD, CBS - PS, National Treasury & Economic Planning – 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

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. Gerald Kamau - Ag. Managing Director - Appointed on 18.06.2024
11. Mr. Geoffrey Kavate - Alternate to MD, Kenya Ports Authority.
12. Mr. Mark Ngecho - Alternate to PS, National Treasury & Economic Planning.
13. Mr. Mathias Chishambo - 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

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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

3. THE BOARD OF DIRECTORS

NAME	DETAILS	PHOTO
1. LTG (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. 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. Hon. Geoffrey E. Kaituko, PS, Shipping & Maritime Affairs Chair – Finance and General – Purpose Committee	Master’s Degree Bachelor of Laws (LLB, University of South Africa) and a Bachelor of Arts degree in Government and Arabic (University of Nairobi). First Speaker of the Turkana County Assembly. DoB. 1974	
4. Capt. William Ruto Managing Director, Kenya Ports Authority.	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	

3. THE BOARD OF DIRECTORS (continued)

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

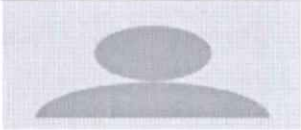
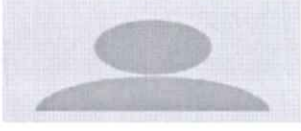
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3. THE BOARD OF DIRECTORS (continued)






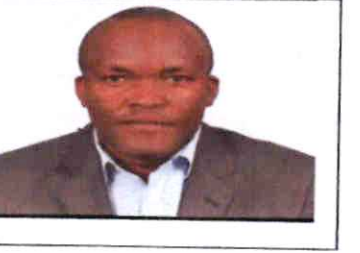
<p>10. Mr. Gerald Kamau Acting Managing Director</p>	<p>Bachelor of Arts - Economics, Certified Public Accountant DoB. 1978</p>	
<p>11. Mr. John Turasha Kinyanjui Company Secretary</p>	<p>Bachelor of Law (Hons) Degree and Diploma in Law. Member of ICS DoB. 1972</p>	
<p>12. Mr. Mark Ngecho Alternate to PS, National Treasury & Economic Planning.</p>	<p>Bachelor of Business Administration - Accounting DoB. 1979</p>	
<p>13. Mr. Mathias Chishambo Alternate to PS, Shipping & Maritime Affairs.</p>	<p>Masters Degree in Governance and Leadership Degree in Economics and Sociology DoB. 1972</p>	
<p>14. Mr. Geoffrey Kavate Alternate to MD, Kenya Ports Authority.</p>	<p>General Manager, Finance – Kenya Ports Authority DoB.</p>	
<p>15. Mr. Ashley Towya Alternate to Solicitor General.</p>	<p>LLM (International trade & investment) LLM (international maritime law) Senior State Counsel DoB. 1983</p>	

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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	

4. MANAGEMENT TEAM

<p>1. Mr. Gerald Kamau Acting Managing Director</p>	<p>Bachelor of Arts - Economics, Certified Public Accountant (K)</p>	
<p>2. Mr. Joseph Juma Chief Accountant</p>	<p>MBA, PGD, CPA(K), CPS(K)</p>	
<p>3. Mr. Jacob Safari Sales & Operation Manager</p>	<p>Bachelor of Arts - Economics & Business Studies, Diploma in Shipping</p>	
<p>4. Mr. Joseph Kinyua Container Control Manager</p>	<p>Higher Diploma - Shipping Management</p>	
<p>5. Mrs. Rollyn Chebosi Management Accountant</p>	<p>Bachelor of Business Administration - Accounting, CPA (K), CPSP (K)</p>	
<p>6. Mr. Michael Lusinde Internal Auditor</p>	<p>Masters in Business Administration (Finance)</p>	

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5. FIDUCIARY MANAGEMENT

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

No.	Designation	Name
1	Ag. Managing Director	Mr. Gerald Kamau
2	Chief Accountant	Mr. Joseph Juma
3	Sales & Operation Manager	Mr. Jacob Safari
4	Container Control Manager	Mr. Joseph Kinyua
5	Management Accountant	Mrs. Rollyn Chebosi
6	Internal Auditor	Mr. Michael Lusinde

6. FIDUCIARY OVERSIGHT ARRANGEMENTS

Board Committees

Name of the Committee	Members
Finance and General-Purpose Committee	<ol style="list-style-type: none"> 1. Hon. Geoffrey E. Kaituko – 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 1. Capt. Fiorenzo Castellano – Director, SAS Shipping Agencies Services SARL - Chair 2. Hon. Geoffrey E. Kaituko – PS, State Department for Shipping & Maritime Affairs. 3. Capt. William Ruto – MD, KPA 4. Capt. Giovanni Cuomo – Director, SAS Shipping Agencies Services SARL

7. CHAIRMAN'S STATEMENT

The Chairman wishes to present the financial statements for the year ended June 30, 2024. The company registered a loss of Kshs 91.30 million and a profit before tax of Kshs 309.71 million for the year ending June 30, 2024 and year ending June 30, 2023 respectively.

The Government is committed to restructure the Company under the Blue Economy sector. The framework for the restructuring and revitalization of KNSL is now complete pending implementation. 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.

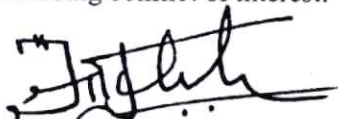
Through operational partnership with multinational shipping company, KNSL's revival is strategically placed to provide efficiency and contribute significantly towards creating a hub status in Mombasa for the distribution of the regional cargo to the final ports by way of transshipment.

The short-term objectives of the Company are:

- (i) To grow volume of cargo handled.
- (ii) To enhance efficiency in logistics value chain, ship management and terminal operations.
- (iii) To promote and facilitate placement of Kenyans in the global maritime labour market.
- (iv) To promote good governance and institutional growth.
- (v) To enhance service delivery and customer experience.

KNSL Board is committed to upholding high standards of corporate governance. 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

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 and crew & manning services.

Performance

The company registered a loss of Kshs 91.30 million for the year ending June 30, 2024. The recurrent income from the Government amounting to Kshs 118 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 profit of Kshs 26.70 million. Under the shipping services, the Company lifted 42 and 119 TEUs in the financial year 2023/2024 and 2022/2023 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 seaborne. In order to tap into this potential, countries endeavour 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.

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 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.

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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).

The restructure of KNSL supported transfer of Government Clearing Agency (GCA) to KNSL. The functions of GCA were transferred to KNSL and currently the Company is clearing air, land and sea Government cargo. This will contribute immensely to the growth of logistics, offering a seamless cargo transfer for safety, convenience and shorter transit time to shippers. The clearing and forwarding services is estimated to generate Kshs 540 Million annually. KNSL has further embarked on the process of promoting Kenyan seafarers as a placement agent.

The Company is developing Strategic Plan 2023 – 2027 which will highlight the strategies and activities that will be implemented to deliver on the strategic objectives of restructured KNSL. With the expected implementation of the restructuring process, the financial statements have been prepared on the going concern basis.



Gerald Kamau

Ag. Managing Director

**9. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2023/2024**

In the year ending June 30, 2024, the company performed poorly due to lack of service provision. The company therefore relied on alternative service routes which are uncompetitive and have minimal profit margin which cannot cover fixed operation costs. The Company managed to register a lifting of 42 Teus in the year 2023/24 against the target of 250 Teus.

Restructure of KNSL

To return the company into profit making, the Government undertook to restructure KNSL. The framework for the restructuring and revitalization of KNSL were finalized. However, an ongoing court case on the restructure has put on hold the implementation process. The revitalization of KNSL supported the expansion of mandate with KNSL now undertaking clearing functions of air, land and sea cargo. This will contribute immensely to the growth of logistics, offering a seamless cargo transfer for safety, convenience and shorter transit time to shippers.

The Company has a Strategic Plan which defines its Strategic Issues, Strategic Goals and Key Results Areas which will drive its operations and performance in the period 2023 – 2027. It has also set a clear vision, mission and core values which will guide the delivery of the mandate.

KNSL annual work plans were based on the restructuring process. Assessment of the Board's performance against its annual work plan is done on a quarterly 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.

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.

Performance Evaluation and Governance Audit

The Board of Directors are usually evaluated by the State Corporations Advisory Committee. The Board evaluation for the year under review will be conducted in the month of September, 2024.

10. CORPORATE GOVERNANCE STATEMENT (Continued)

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.

Board Induction and Training

During the financial year 2023/2024, 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.

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.

Appointment and Removal of the members of the Board

The Chairperson is appointed by the President. There are eight directors 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.

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 meetings

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

	Director	Details	Meetings		% Attendance
			Held	Attended	
1.	LTG (Rtd) Levi Franklin Mghalu	Chairperson	9	9	100
2.	Hon. Geoffrey E. Kaituko / Isaiah Nakoru / Mathias Chishambo	Member	9	9	100
3.	Capt. William Ruto/ Geoffrey Kavate / John Nyamosi	Member	9	9	100
4.	Dr. Chris K. Kiptoo, PHD, CBS / Mark Ngecho	Member	9	9	100
5.	Hon. Mose Shadrack John / Ashley Toywa	Member	9	9	100
6.	Capt. Giovanni Cuomo	Member	9	6	67
7.	Capt. Fiorenzo Castellano	Member	9	9	100
8.	David El Bez / Aparna Kendell	Member	9	3	33
9.	Cecilia Ndeti	Member	9	9	100
10.	Gerald Kamau / Joseph Juma	Ag. MD	9	9	100

Board committee meetings were as follows;

- Finance and General Purpose Committee held 8 meetings
- Technical and Strategy Committee held 3 meetings
- Audit and Risk Committee did not hold any meeting.

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11. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A: OPERATIONAL AND FINANCIAL PERFORMANCE

As at June 30, 2024 the company had a shareholders' Capital reserves of Ksh 22,868,826 and Ksh. 114,170,690 in the year 2022/23. The current assets are Ksh 428,604,570 and the current liabilities Ksh 58,669,989. The company registered a loss of Kshs 91.30 million and a profit before tax of Kshs 309.71 million for the year ending June 30, 2024 and year ending June 30, 2023 respectively. The profit in the financial year 2022/2023 was as a result of income from court compensation. 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.

	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
TEUS	242	123	155	119	42
Revenues	3,477,979.00	1,677,835.00	1,366,470.00	475,591,598	31,319,842
Expenditure	(51,351,362.00)	(59,068,665.00)	(75,095,857)	(165,883,438)	(122,621,706)
Profit/ (Loss)	(47,873,383.00)	(57,390,830.00)	(73,729,387)	309,708,160	(91,301,864)

To return the company into profit making, the Government undertook to restructure KNSL. The framework for the restructuring of KNSL was completed and is pending implementation due to an ongoing court case. KNSL expect to tap into Government interest cargo currently estimated at 60,000 TEUs (Twenty-foot container equivalent) and with potential freight value of Kshs. 11 billion currently all paid to foreign shipping lines in foreign currency. By shipping with KNSL, the country stands to save huge amounts in foreign exchange as well as participate in the seafreight revenue.

SECTION B: KEY PROJECTS AND INVESTMENT DECISIONS

During the year under review, the Company did not implement any project. However, implementation of the restructure framework, KNSL will undertake key projects as included in the Company's Strategic Plan 2023 – 2027.

11. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION C: MAJOR RISKS

(i) Operational Risk

The company operates as a Non-Vessel Owning Common Carrier (NVOCC) which charters slot from shipping lines for cargo destined to various ports of the world which creates operational risks in case such services are withdrawn by the service providers.

(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.

**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. The company current liabilities decreased from Ksh 92.51 million in the year ending June 30, 2023 to Kshs 58.67 million in the year June 30, 2024.

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 being restructured to enhance its capacity in revenue generation and creation of jobs in the Blue Economy sector.

ii) Environmental performance

Upon restructuring, the Company will develop environmental policies to guide in the protection of the environment in general.

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

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**

A restructured Kenya National Shipping Line Ltd will ensure consumer rights and interests in the maritime sector are safeguarded.

v) **Corporate Social Responsibility**

Planting of Mangrove Seedlings

On 29th October 2023, KNSL staff together with the Kenya Forest Services (KFS), Mombasa Kilindini Community Forest Association (MOKICFA), the area Assistant Chief and the local community planted 2,000 mangrove seedlings in Port Reitz Creek, Miritini, Mombasa County. This is in support of the National Tree Growing Restoration Campaign. Mangroves trees provide essential habitat for thousands of species, stabilize shorelines and prevent soil erosion. The Port Reitz community residents and Nuru Mangrove Women Group committed that they will be weeding, watering, mulching and protecting the planted mangrove seedlings. They are also responsible for the long-term maintenance of the mangrove forest in the area. Since 2018, KNSL have planted of over 13,000 seedlings of mangrove and casuarina in Majaoni, Shimo La Tewa Prisons, Bonje, Miritini, Aldina and Port Reitz areas in Mombasa county.



12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

v) Corporate Social Responsibility (Continued)



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

13. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 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, 2024 are set out on page 1.

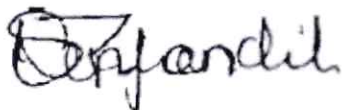
iii) Directors

The members of the Board of Directors who served during the year are shown on page VI - IX.

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: 06/09/2024

14. 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, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2024, 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.

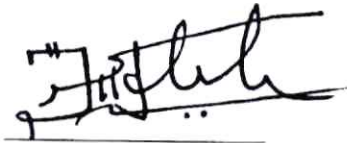
**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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 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 06/09 2024 and signed on its behalf by:



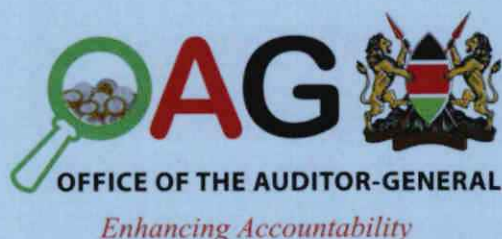
Lt Gen (Rtd) Levi Franklin Mghalu
Chairman of the Board



Gerald Kamau
Ag. Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL SHIPPING LINE LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya National Shipping Line Limited set out on pages 1 to 41, which comprise the statement of financial position as at

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya National Shipping Line Limited at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 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 balance of Kshs.46,330,588 as disclosed in Note 19 to the financial statements. The balance includes trade receivables balance of Kshs.3,576,288 after provision for doubtful receivables of Kshs.38,132,040. However, the Company lacked approved credit policy for expected credit loss. Further, Management requested for write off of losses of Kshs.32,000,000 vide letter Ref. ZZ MOF 279/01 dated 21 February, 2023 from The National Treasury. The National Treasury responded with a request for a detailed brief of the losses and efforts made by the Company to recover them. However, no evidence was provided to confirm that the Company had complied with the request from The National Treasury.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.46,330,588 could not be confirmed.

2. Current Liability Due to Related Parties Balance

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.

In the circumstances, the accuracy and completeness of current liability due to related party of Kshs.35,583,105 could not be confirmed.

3. Unsupported Income Tax Expense

The statement of profit or loss and other comprehensive income reflect Nil income tax expense for the year. A reconciliation of tax expense to the expected tax based on profit

reflected in Note 14 to the financial statements include Kshs.3,353,248 being tax effects on expenses not deductible for tax purposes and Kshs.2,009,262 in respect of tax effects on income not taxable. However, the composition and details of the expenses and incomes referred to above were not provided for audit.

In the circumstances, the accuracy and completeness of tax expense could not be confirmed.

4. Non-Compliance with International Accounting Standards (IAS) 20 on Accounting for Government Grants

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.

5. Change 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.
- 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 was not provided for audit review.
- vi. The Company received Government grants of Kshs.118,000,000 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.

6. Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.4,502,694 as disclosed in Note 16 to the financial statements. The property, plant and equipment movement schedule indicate the motor vehicles net book value is Nil while the Company has five (5) vehicles which it derives benefits from the use. However, the value of the vehicles is not included in the property, plant and equipment balance as required by International Accounting Standard No 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, three (3) vehicles had no blue number plates contrary to Rule 12 of the Traffic Act (Registration Plates) Rules Legal Notice 62 of 2016 while review of work tickets revealed that eight (8) staff employed and designated in various departments for different roles engaged in driving the Company cars without express authority to do so.

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. The actions exposed the company to peril in case of an accident that may not be indemnified since the vehicles were being driven by un authorized persons.

In addition, information provided by Management indicated that the former Ag. Managing Director was designated a vehicle for self-drive as provided in the employment terms of service. However, Management did not provide evidence that provision of a vehicle was part of the terms of service for the Acting Managing Director. Further, no benefit was accrued to the staff for purpose of tax computation.

In the circumstances, the completeness and accuracy of property, plant and equipment balance of Kshs.4,502,694 could not be confirmed.

7. Unsupported Loan Repayment

The statement of financial position reflects borrowings balance of Kshs.22,211,000 as at 1 July, 2023 and Nil balance as at 30 June, 2024. However, the borrowing as at 1 July, 2023 was not supported with a loan agreement and disbursement schedule.

Further, during the year under review Management paid Kshs.28,200,000 to unnamed third party and disclosed the same as loan from the shareholder repayment. However, the payment was not supported by an approved budget provision, Board resolution and instruction from the shareholder indicating that the same should be paid to the third party.

In the circumstances, the completeness and accuracy of borrowings balance and regularity of the loan repayment could not be confirmed.

The audit was conducted in accordance with International Standards for 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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.203,990,796 and Kshs.149,319,838 respectively resulting to an under funding of Kshs.54,670,958 or 27% of the budget. Similarly, the Company expended Kshs.125,876,742 against an approved budget of Kshs.203,990,796 resulting to an under-expenditure of Kshs.78,114,054 or 39% of the budget. The under-utilization negatively affected the implementation of planned activities.

My opinion is not modified in respect of this matter

Key Audit Matter

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 matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Prior Year Unresolved Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. The issues remained outstanding as at 30 June, 2024.

Other Information

The Directors responsible for the other information set out on page III to XXVII 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 and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that other information is not materially inconsistent with the financial statements.

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. Irregular Accumulation of Leave Days

Review of staff personal files indicated that the Board on various instances resolved to send the previous Acting Managing Director on leave for a total of one hundred and thirty-nine (139) days out of which one hundred and nine (109) days were from previous financial years. Management did not provide of the application of leave during the previous years and board's deferment decision due to exigencies of work. The leave days may have therefore been carried forward contrary and in violation of Section E.3.(iv) of the Public Service Commission Human Resources Policies and Procedures Manual, 2016 which states that annual leave is not accumulable and that an officer may if so wish carry forward from one leave year to another, not more than one half of his annual leave entitlement. Further, it was noted that management had approved roll-over of more than the prescribed fifteen (15) leave days for various employees.

In the circumstance, Management was in breach of the Public Service Commission Human Resource Policies and Procedures Manual.

2. Use of Outdated Service Income Rates and Performance

The statement of profit or loss and other comprehensive income reflects service income of Kshs 2,057,542 as disclosed in Note 7 to the financial statements. The income was realized from shipping services offered to customers during the year. Review of supporting documentation revealed that the income was based on outdated tariffs which were valid for the period 2003 to 2019. The management has not provided evidence on the efforts made to revise the rates.

Further, the operational and financial performance report indicates that the Company handled 42 twenty-foot equivalent (TEUS) containers during the financial year under review. This was a drop from the 119 TEUS handled the previous year. The performance was dismal for a Shipping Company with a Marketing Department and a workforce of nineteen (19) staff. The performance is an indication that the entity only undertook administrative activities during the period and minimal operational and revenue generating activities. Management did not provide details of planned and undertaken activities geared towards marketing of revenue generation core mandate to other Government institutions.

In the circumstances, the shareholders (GoK) did not obtain value for money for services rendered and investment in the company.

3. Wasteful Rental Expenditure

The statement of profit or loss and other comprehensive income reflects administrative costs amount of Kshs.76,911,014 as disclosed in Note 12 to the financial statements. The

amount includes rental expense of Kshs.20,627,798. Review of supporting documents revealed that an amount of Kshs.691,531 was expenditure on rent for office space at Missions to Seamen Building whose rental lease agreement between the Company and the landlord had expired on 31 March 2023. However, the management continued to pay rent without a valid lease agreement.

Further, the rent expenditure include payment for office space at a building located in Mombasa Town Central Business District. 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 (6) year lease from 1 August, 2022. However, the lease agreement does not have an exit or termination clause which commits the Company to pay Kshs.138,654,915 which may be equal to the cost of constructing own office. Further, the offer letter expressly forbids the transferring, assignment or subletting of the leased office space.

In addition, physical inspection of the leased office space during the month of November, 2024 indicated that part of the leased office space on first floor of the leased building has not been occupied since the start of the lease period on 1 August, 2022. The Company's Board minute no. 31/2024 of the 92nd meeting indicated that the Company was occupying third and fifth floors being an equivalent to one floor (6,346 sq feet). Management therefore irregularly paid Kshs.9,423,903 for unutilized office space.

Management did not explain the basis of incurring Kshs.76,158 rent expense per month per staff yet the total revenue generated from operation for the year amount to Kshs.2,057,542 translating to Kshs.8,573 per staff per month resulting to a loss of Kshs.67,585 per staff per month.

In the circumstances, value for money on rental expenditure of Kshs.20,627,798 and the fairness of the lease agreement could not be confirmed.

4. Borrowings - COMESA Filling Fee

The statement of financial position reflects nil balance of borrowings as at 30 June, 2024 (Kshs. 22,210,000 in 2023). Review of the minutes of the Company Board revealed that SAS Lux, one of the shareholders had paid COMESA filling fee and office rent. The COMESA filling fee paid amounted to Kshs.22,211,000 (USD 200,000). The funds were to be treated as capital grants pending conclusion of the implementation structure. However, the COMESA filling fees was disclosed as a borrowing in the financial statements contrary to the Board resolution and disclosed the same in the previous years (2022/2023) financial statements.

In the circumstances, Management was in breach of the Board resolutions.

5. Non-Compliance with Board Expenses Guidelines

The statement of profit or loss and other comprehensive income reflects administration costs of 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, whichever is less.

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, Management was in breach of the guidelines on Board expenses and the regularity of Board expenses of Kshs.14,853,267 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 effects of the matter 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

Weaknesses in Imprest Management

Review of Company records revealed that Management issues imprest by drawing cheques to individual employees' names without formal application by the officer advanced/withdrawing the cash by way of imprest warrants indicating the specific purpose to enable audit trail confirm the use of the cash advanced. Further, the process lacks a system to track the issuance and surrender of imprests and lack of segregation of duties as one officer is imprest holder, preparer, payee, cashier and posts the same in the cashbook among other functions related to activities.

In addition, cheques issued are not recorded in the Cheque dispatch register as per the Company Finance Manual of November, 2023 and Cash book does not disclose the name of the payee or purpose for the payments and only indicates 'Nominal & Petty Cash' on the column of payee and description.

In the circumstances, the effectiveness of Management's internal control system over imprest management could not be confirmed.

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. The information given in the Directors' report on pages xxvi 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.

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 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 liquidate the Company or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

24 December, 2024

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

16 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024


	Note	2023-2024	2022-2023
		Kshs	Kshs
REVENUES			
Service Income	7	2,057,542	2,933,169
Service Costs	8	(67,145)	(258,650)
Gross Profit		1,990,397	2,674,519
OTHER INCOME			
Other Income	9	33,980,876	476,684,229
Other Gains and Losses	10	(4,651,431)	(3,767,150)
TOTAL REVENUES		31,319,842	475,591,598
OPERATING EXPENSES			
Employment Costs	11	(44,224,259)	(45,389,215)
Administration Costs	12	(76,911,014)	(118,703,545)
Depreciation of vehicles and equipment	16	(1,454,882)	(1,759,127)
Amortization of Intangible Assets	17	(31,551)	(31,551)
TOTAL OPERATING EXPENSES		(122,621,706)	(165,883,438)
PROFIT/(LOSS) BEFORE TAXATION		(91,301,864)	309,708,160
INCOME TAX EXPENSE/(CREDIT)	13-14	-	-
TOTAL COMPREHENSIVE PROFIT/(LOSS)		(91,301,864)	309,708,160
FOR THE YEAR			

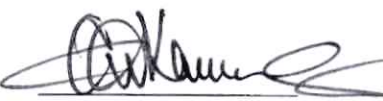
**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**


17 STATEMENTS OF FINANCIAL POSITION AS AT JUNE 30, 2024

	Note	2023-2024	2022-2023
ASSETS		Kshs	Kshs
Non-Current Assets			
Property, Plant and Equipment	16	4,502,694	2,703,531
Intangible assets	17	31,551	63,107
Total Non-Current Assets		4,534,245	2,766,638
Current Assets			
Inventory & stores	18	613,208	569,750
Trade and other receivables	19	46,330,588	39,173,660
Bank and cash balances	20	381,660,774	397,802,013
Total Current Assets		428,604,570	437,545,423
TOTAL ASSETS		433,138,815	440,312,061
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	168,600,000	168,600,000
Capital grants from Government	21	183,000,000	65,000,000
Retained Earnings / (Accumulated deficit)		22,868,826	114,170,690
Capital and Reserves		374,468,826	347,770,690
Current Liabilities			
Borrowings		-	22,211,000
Trade and other payables	22	23,086,884	33,719,375
Due to related party	23	35,583,105	36,610,996
Total Current Liabilities		58,669,989	92,541,371
TOTAL EQUITY AND LIABILITIES		433,138,815	440,312,061

The financial statements were approved by the Board on...06/09...2024 and signed on its behalf by:


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


CPA Gerald Kamau
Ag. Managing Director
ICPAK M/No: 18488


CPA Rollyn Chebosi
Head of Finance
ICPAK M/No: 18549

KENYA NATIONAL SHIPPING LINE LTD
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FOR THE YEAR ENDED JUNE 30, 2024

18 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2024

	Ordinary Share Capital	Funds Awaiting Allotment Of Shares	Capital Grants from Government	Accumulated Deficit	Total
2023	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2022	168,600,000	-	449,090,000	(644,627,470)	(26,937,470)
Total comprehensive Profit for the year	-	-	-	309,708,160	309,708,160
Write – Back for Grants from Government			(449,090,000)	449,090,000	-
Allotment of Shares	-	-	-	-	-
New Capital Call	-	-	-	-	-
Capital grants received during the year From Government	-	-	65,000,000	-	65,000,000
At June 30, 2023	168,600,000	-	65,000,000	114,170,690	347,770,690
2024					
At July 1, 2023	168,600,000	-	65,000,000	144,170,690	347,770,690
Total comprehensive loss for the year	-	-	-	(91,301,864)	(91,301,864)
Write-Back of Grants from Government	-	-	-	-	-
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

(Note 21)

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

19 STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used) in operations	25	(108,676,197)	296,349,880
Interest received		-	-
Interest paid		-	-
Taxation paid		-	-
Net cash generated from / (used in) operating activities		(108,676,197)	296,349,880
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment	16	(3,255,042)	(1,834,295)
Purchase of intangible assets		-	-
Proceeds from disposal of assets		1,000	135,000
Net cash used in investing activities		(3,254,042)	(1,699,295)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Capital Grants from Shareholder - Government Disbursement	21	118,000,000	65,000,000
Proceeds from borrowings from Shareholder - Shipping Agencies Services SARL		(22,211,000)	22,211,000
Net cash generated from financing activities		95,789,000	87,211,000
INCREASE/(DECREASE) IN CASH AND CASH		(16,141,239)	381,861,585
CASH AND CASH EQUIVALENTS AT BEGINNING OF		397,802,013	15,940,428
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		381,660,774	397,802,013

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

**20 STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE YEAR ENDED JUNE 30, 2024**

	Original Budget	Adjustments	Final Budget (Revision 2 Budget)	Actual on Comparable Basis	Performance Difference	% of Utilisation
	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue						
Service Income	15,000,000	-	15,000,000	1,990,397	(13,009,603)	13.72
Government grants	118,000,000	-	118,000,000	118,000,000	0	100
Other Income	350,000	70,640,796	70,990,796	29,329,441	(41,661,355)	41.31
Total income	133,350,000	70,640,796	203,990,796	149,319,838	(54,670,958)	
Expenses						
Employment Costs	40,846,444	8,417,162	49,263,606	44,224,259	5,039,347	89.77
Administration Expenses	67,547,999	31,209,080	98,757,079	56,283,216	42,473,863	56.99
Rent	21,619,987	0	21,619,987	20,627,798	992,189	95.41
Depreciation of assets	1,435,570	149,554	1,585,124	1,486,433	98,697	93.77
Acquisition of other capital items	1,900,000	30,865,000	32,765,000	3,255,042	29,509,958	9.93
Total expenditure	133,350,000	70,640,796	203,990,796	125,876,742	78,114,054	
Surplus/(Deficit) for the period	-	-	-	23,443,096	(23,443,096)	

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, 2024

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 2024.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 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
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) *Relevant new and amended standards and interpretations in issue effective in the year ended 30 June 2024. (Continued)*

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 2024.*

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

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

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

The Directors 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 2023.

4. SUMMARY OF MATERIAL 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.

19. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

i) **Service Income** is recognised in the year in which the Company renders the shipping services to the customer, the customer has accepted the products 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.

c) Property, plant and equipment

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

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

g) Accounting for leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged

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 handing 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. 2,160 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 2023/2024 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

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 26 to these financial statements, the company is exposed to various contingent liabilities in the normal course of business including certain pending audits with Kenya Revenue Authority and a 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.

**KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. GOING CONCERN

As at June 30, 2024 the company had a shareholders' Capital reserves of Ksh 22,868,826 and Ksh. 114,170,690 in the year 2023. The current assets and current liabilities are Ksh 428,604,570 and Ksh 58,669,989 respectively. The Company registered a loss for the year ended 30 June 2024 of Ksh 91,301,864 and a profit before tax of Ksh. 309,708,160 in the year ending 30 June 2023. The profits in 2023 were as a result of income from court compensation.

The directors and management are pursuing a number of strategies to ensure the company returns to profitable trading. These measures include the ongoing restructuring of the Company.

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

KENYA NATIONAL SHIPPING LINE LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. SERVICE INCOME

Description	2023-2024	2022-2023
	Kshs	Kshs
Shipping Revenues	182,207	389,125
Clearing & Forwarding Revenues	1,875,335	2,544,044
Total	2,057,542	2,933,169

8. SERVICE COSTS

Description	2023-2024	2022-2023
	Kshs	Kshs
Empty Container storage- Africa	53,550	250,400
Clearing expenses	13,595	8,250
Total	67,145	258,650

9. OTHER INCOME

Description	2023-2024	2022-2023
	Kshs	Kshs
Deferred Income	-	1,300,000
Income from Court Compensation	-	475,260,543
Other Income – Trade payables writeback	8,900,054	-
Other Income – Interest from commercial banks	25,080,822	123,686
Total	33,980,876	476,684,229

**KENYA NATIONAL SHIPPING LINE LTD
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FOR THE YEAR ENDED JUNE 30, 2024**

21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. OTHER GAIN AND LOSSES

Description	2023-2024	2022-2023
	Kshs	Kshs
Gains on foreign rate of exchange/assets	2,123,923	2,426,252
Losses on foreign rate of exchange – Un-Realised	(785,358)	(6,328,402)
Gains/losses on sale of assets	(1,000)	135,000
Losses on foreign rate of exchange – Realised	(5,989,000)	-
Total	(4,651,435)	(3,767,150)

11. EMPLOYMENT COSTS

Description	2023-2024	2022-2023
	Kshs	Kshs
Salaries	24,407,843	26,054,135
Employer’s Contribution to Pension Scheme	4,047,125	4,547,573
Medical Cover expenses	5,782,579	5,562,339
Group Personal Accident Cover	204,707	145,989
Group Life Cover	552,616	601,579
Staff training, welfare and recruitment	8,560,109	8,348,400
Employer’s contribution to affordable housing levy	320,460	0
Employer’s contributions to NSSF	348,820	129,200
	44,224,259	45,389,215
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	-
Total	20	19

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. ADMINISTRATION COSTS

Description	2023-2024	2022-2023
	Kshs	Kshs
Advertising and Marketing	4,922,551	663,097
Audit fees	450,000	450,000
Bank charges	175,356	208,395
Donations	-	250,000
Electricity & water	1,429,459	520,991
Hospitality/Entertainment	825,775	1,079,529
Insurance Costs	402,846	32,161
Legal and professional Fees	1,767,600	44,600,378
Miscellaneous Costs	463,390	1,208,582
COMESA filling fees	-	22,211,000
Motor vehicle Expenses	675,052	1,464,382
Penalties	15,479	31,110
Printing and stationery	824,245	512,677
Provision for bad and doubtful debts	-	1,010,915
Rental	20,627,798	18,646,692
Repairs and maintenance	463,155	290,020
Corporate Social Responsibilities (CSR)	384,550	243,103
Subscriptions & renewals	456,654	187,401
Strategic Plan	4,278,716	-
Digitization, manuals and policies	2,999,848	-
Telecommunication	943,487	841,376
Transport, travelling & accommodation	19,951,786	18,050,810
Board Expenses	14,853,267	6,200,926
Total	76,911,014	118,703,545

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. OPERATING PROFIT / (LOSS)

Description	2023-2024	2022-2023
	Kshs	Kshs
The operating profit/(loss) is arrived at after		
Employment Costs (Note 11)	43,770,655	43,927,615
Depreciation of property, plant and equipment	1,454,882	1,759,127
Amortisation of intangible assets	31,551	31,551
Provision for bad and doubtful debts	-	1,010,915
Directors' emoluments	1,014,900	869,339
Auditors' remuneration - current year fees	450,000	450,000
Net foreign exchange loss	6,774,358	6,328,402

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	(91,301,864)	309,708,160
Tax at the applicable tax rate of 30%	(27,390,559)	92,912,448
Tax effects of expenses not deductible for tax purposes	3,353,248	17,156,030
Tax effects of income not taxable	(2,009,262)	(144,218,051)
Total	(24,037,311)	(34,149,573)

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. DEFERRED TAXATION

As at 30 June 2024, the Company has a deferred tax asset from accumulated losses amounting to Kshs 385,702,216 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
2023	Ksh	Ksh	Ksh	Ksh	Ksh
At July 1, 2022	8,704,201	988,737	1,647,720	5,924,368	17,265,026
Additions		-	1,170,000	664,295	1,834,295
Disposals				(2,897,623)	(2,897,623)
At June 30, 2023	8,704,201	988,737	2,817,720	3,691,038	16,201,696
DEPRECIATION					
At July 1, 2022	7,403,201	987,715	1,315,784	4,929,961	14,636,661
Charge for the year	1,300,000		176,781	282,346	1,759,127
Eliminated on disposal	-	-	-	(2,897,623)	(2,897,623)
At June 30, 2023	8,703,201	987,715	1,492,565	2,314,684	13,498,165
NET BOOK VALUE					
At June 30, 2023	1,000	1,022	1,325,155	1,376,356	2,703,531
2024					
COST					
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	3,741,863	6,021,938	19,335,739
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

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. INTANGIBLE ASSETS

Description	2023-2024	2022-2023
	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 2023	674,332	642,776
Charge For the Year	31,551	31,551
Disposals	-	-
At June 30 2024	705,883	674,327
Net Book Value		
At June 30 2024	31,551	63,107

At 30 June 2024, intangible assets with a cost of Sh 485,020 had been fully amortised.

18. INVENTORIES

Description	2023-2024	2022-2023
	Kshs	Kshs
Stationery and general stores	756,542	713,084
Provision for obsolete stocks	(143,334)	(143,334)
Total	613,208	569,750

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. TRADE AND OTHER RECEIVABLES

Description	2023-2024	2022-2023
	Kshs	Kshs
Trade receivables (Note 19a)	3,576,288	3,147,999
Deposits and prepayments	13,079,921	13,722,588
VAT recoverable	22,393,560	17,637,054
Other receivables (Note 19b)	7,280,819	4,666,019
Total	46,330,588	39,173,660

19 (a) Trade Receivables

Description	2023-2024	2022-2023
	Kshs	Kshs
Gross Trade Receivables	41,708,328	42,186,784
Provision for Doubtful Receivables	(38,132,040)	(39,038,785)
Net Trade Receivables	3,576,288	3,147,999
At June 30, the ageing analysis of gross Trade Receivables was as follows:		
Less than 30 Days	778,978	358,807
Between 30 and 60 Days	-	239,396
Between 61 and 90 Days	-	30,000
Between 91 and 120 Days	-	-
Over 120 Days	2,797,310	2,519,796
Total	3,576,288	3,147,999

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19(b) Other Receivables

Description	2023-2024	2022-2023
	Kshs	Kshs
Sundry Debtors	4,254,319	4,254,319
Containers Claims Receivable	9,900,047	9,900,047
Other Recoverable & Business Travel	8,263,700	5,842,528
Gross Other Receivables	22,418,066	19,996,894
Provision for Other Receivables	(15,137,247)	(15,330,875)
Net Trade Receivables	7,280,819	4,666,019

20. BANK AND CASH BALANCES

	2023-2024	2022-2023
	Kshs	Kshs
Kenya Commercial Bank (Kshs A/C)	67,447,258	382,693,774
Kenya Commercial Bank (Usd A/C)	6,382,858	7,011,614
Absa Bank Kenya PLC - Khs A/C	4,924,605	4,936,095
Absa Bank Kenya PLC - Usd A/C	2,866,053	3,120,530
Cash in hand	40,000	40,000
Fixed Deposit	300,000,000	-
Total	381,660,774	397,802,013

21. SHARE CAPITAL

21(a) ORDINARY SHARE CAPITAL

Description	2023-2024	2022-2023
	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 118,000,000 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

	2023-2024	2022-2023
	Kshs	Kshs
Trade payables	12,211,070	25,220,653
Accruals	5,930,010	1,395,660
Other Payables	4,945,804	7,103,062
Total	23,086,884	33,719,375

23. RELATED PARTY BALANCE AND TRANSACTIONS

(a) Kenya Ports Authority and Mediterranean Shipping Co Ltd

	2023-2024	2022-2023
	Kshs	Kshs
Kenya Ports Authority (KPA)	26,675,186	26,675,186
Mediterranean Shipping Co Ltd (Shipping Agencies)	8,907,919	9,935,810
Total	35,583,105	36,610,996

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 TRADE AND OTHER PAYABLES (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

	2023-2024	2022-2023
	Kshs	Kshs
(i) Grants from National Government	118,000,000	65,000,000
Total	118,000,000	65,000,000
(ii) Key Management Compensation		
Directors' Emoluments (Honorarium & Telephone)	1,014,900	869,339
Compensation to CEO and Key Management	13,963,840	14,039,387
Total	14,978,740	14,908,726

24. CONTINGENT LIABILITIES

- (i) In 2004, Kenya Revenue Authority (KRA) carried out a withholding tax audit of the company covering the year 2003 and issued a demand of Sh 2,922,898 for unpaid withholding taxes, interest and penalties. The company has raised an objection with regard to this, and the amount has not been provided for as, in the opinion of the directors, the company has good grounds for the objection lodged. An amount of Sh 974,298 already paid in respect of this demand has been reflected as a claim recoverable within trade and other receivables.
- (ii) 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.

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21. NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. NOTES TO THE STATEMENT OF CASH FLOWS

	2023-2024	2022-2023
	Kshs	Kshs
(a) Reconciliation Of Operating Profit/ (Loss) To Cash Generated From/(Used In)		
Profit/(Loss) for the year	(91,301,864)	309,708,160
Depreciation	1,454,882	1,759,127
Amortisation	31,551	31,551
(Gain) on disposal of Equipment	-	(135,000)
Deferred Income	-	(1,300,000)
Profit/(Loss) before Working Capital changes	(89,815,431)	310,063,838
(Increase)/Decrease in Trade and Other Receivables	(7,156,927)	(11,864,340)
(Increase)/Decrease in Inventories	(43,458)	178,432
Increase/(Decrease) in Trade and Other Payables	(10,632,490)	(11,963,860)
Net movement in related company balance	(1,027,891)	9,935,810
Cash Generated from/(used In) operations	(108,676,197)	296,349,880

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 2023.

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 2024 and 30 June 2023 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)

2024

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
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	381,660,774	-	41,708,328
At 30 June 2023				
Trade Receivables	42,186,784	269,396	-	41,917,388
Bank balances	397,802,013	397,802,013	-	-
Total	439,988,797	398,071,409	-	41,917,388

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 2024	Kshs	Kshs	Kshs	Kshs
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
At 30 June 2023				
Trade payables	8,480,505	364,994	6,488,443	15,333,942
Due to related company	-	-	36,610,996	36,610,996
Total	8,480,505	364,994	43,099,439	51,944,938

(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:

	2023-2024	2022-2023
	Kshs	Kshs
Assets		
Trade and other receivables		
US Dollars	2,925,098	2,824,225
Euros	571,570	145,965
Sterling Pounds	34,345	34,345
Swedish Krona (SK)	10,844	3,129
Total	3,541,857	3,007,664
Bank and cash balances		
US Dollars	9,248,911	10,132,144
Total	9,248,911	10,132,144
Liabilities		
<i>Trade and other payables</i>		
US Dollars	6,406,638	18,507,366
Euros	1,262,950	837,345
Swedish Krona (SK)	31,721	24,005
Total	7,701,309	19,368,716

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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 2024, 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 0.62M (2022: 0.60M). 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	2023-2024	2022-2023
	Ksh	Ksh
Rental	20,627,798	18,646,692

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 49 months is Kshs 79.496 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.

30. CURRENCY

These financial statements are presented in Kenya Shillings (Kshs).

31. DIVIDENDS PAYABLE

The Company has not declared any dividends to the shareholders.

**KENYA NATIONAL SHIPPING LINE LTD
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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.	Trade and Other Receivables	<p>i. The statement of profit or loss and other comprehensive income reflects administrative costs amounting to Kshs.118,703,543. As disclosed in Note 12 to the financial statements, the amount includes provision for bad and doubtful debts of Kshs.1,010,915. However, Note 19 (a)(b) to the financial statements reflect an increase Kshs.2,140,048 and Kshs.866,809 in respect of trade receivables and other receivables respectively, all totalling to Kshs.3,006,857. The resulting in a variance of Kshs.1,995,942 was not explained or reconciled.</p> <p>ii. The statement of profit or loss and other comprehensive income reflects prior year loss of Kshs.73,729,387. However, the operating profit or loss disclosures in Note 13 to the financial statements reflects provision for bad and doubtful debts indicated as Kshs.492,638 instead of Kshs.36,898,137 reported in the prior year audited financial statements.</p> <p>iii. The statement of comparison of budget and actual amounts reflects actual income of Kshs.540,591,598. However, the amount varies with Kshs.475,591,598 total revenue</p>	Resolved	-

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		reflected in the statement of profit or loss and other comprehensive income. The resultant variance of Kshs.65,000,000 was not explained or reconciled.		
2.	Unsupported Professional & Legal Fees	The statement of profit or loss and other comprehensive income reflect other income amounting to Kshs.476,684,229. As disclosed in Note 9 to the financial statements, the amount include court compensation of Kshs.475,260,543 which according to Management, was awarded in favor of the Company by the High court of Tanzania sitting in Dar es Salaam. However, receipts, bank statements and journals provided for review reflected Kshs.421,097,189 resulting in unsupported and unreconciled variance of Kshs.54,163,354. Management explained that the variance was as a result of professional and legal fees amounting to Kshs.44,088,684 and provisions of Kshs.10,074,670 to cater for related court contingencies. However, no fee note was provided in support of the payments.	Resolved	-
3.	Statement of Profit & Loss	The statement of profit or loss reflects administration expenditure of Kshs.118,703,545 as disclosed in Note 12 to the financial statements. The amount includes Kshs.1,079,529 and Kshs.841,376 in respect of hospitality and entertainment, and telecommunications.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		The statement of profit or loss and other comprehensive income and Note 12 to the financial statements reflects administration costs of Kshs.118,703,545. The amount include rental payments of Kshs.18,646,692, representing an increase of Kshs.15,306,712 or 458% of Kshs.3,339,980 incurred in the previous. The substantial increase was due to the Company relocating from a government owned premises to a privately-owned one during the year, which attracted higher rental charge.	Not resolved	6 months

Ag. Managing Director: 

Date: 06/09/2024

APPENDIX II: 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 2023/2024			
Recurrent Grants – <i>Transfers from the State Department for Shipping and</i>			
a. <i>Maritime Affairs</i>			
Bank Statement Date	Amount (KShs)	Financial Year	
01-09-2023	9,000,000.00	2023-2024	
02-08-2023	30,333,333.35	2023-2024	
13-03-2024	9,500,000.30	2023-2024	
19-03-2024	30,333,333.30	2023-2024	
25-04-2024	9,833,333.35	2023-2024	
09-05-2024	9,333,333.00	2023-2024	
28-05-2024	9,833,333.35	2023-2024	
19-06-2024	9,833,333.35	2023-2024	
Total	118,000,000		

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

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, Minning and Maritime Affairs - State Department for Shipping & Maritime Affairs	01-09-2023	Recurrent	118,000,000	118,000,000
	02-08-2023			
	13-03-2024			
	19-03-2024			
	25-04-2024			
	09-05-2024			
	28-05-2024			
19-06-2024				
Total			118,000,000	118,000,000