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BY
OF

Hon. Owen Bayo, MP
Deputy Leader of the Majority

CLERK-AT
THE-TABLE:

Ann shubuko

THE AUDITOR-GENERAL

ON

KENYA SHIPYARDS LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2022**





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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KENYA SHIPYARDS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2022







Kenya Shipyards Limited
Annual Report and Financial Statements for the year ended 30th June 2022

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I. Key Kenya Shipyards Limited Information

(a) Background information

The National Security Council vide Executive Order CAB/GEN.3/1/1/ (60) dated 14 August 2020 approved the establishment of Kenya Shipyards Limited (KSL). KSL was incorporated on 29 September 2020 under the Companies Act and is represented by the Cabinet Secretary for Defence, who is responsible for the general policy and strategic direction. KSL is domiciled in Kenya with the headquarters in Mombasa and branches in Nairobi and Kisumu.

(b) Vision Statement

To be the leading catalyst of development of Shipbuilding Industry in Eastern Africa.

Mission Statement

To establish and develop the growth of Shipbuilding Industry through provision of World Class Construction, Refits, Maintenance and Repairs, and other Maritime Services in a Sustainable and Efficient manner.

Core Values

These are the principles and beliefs that guide the actions and behaviours of the team at work in supporting the vision and shaping its culture:

- i) **Integrity:** Observing the highest standards of ethics, honesty and accountability at all times.
- ii) **Team Spirit:** Working together in a spirit of creativity and mutual respect to achieve common objectives.
- iii) **Professionalism:** Delivering the best quality service to customers with utmost vigour and efficiency.
- iv) **Excellence:** Quest for the highest level of performance through continuous improvement of skills and business practices

(c) Mandate

The mandate of Kenya Shipyards Limited is to lead and catalyse the introduction of the new shipbuilding industry in Eastern Africa with a focus on meeting the local demand from Kenya Navy, MDAs with maritime assets, other public and private domestic and regional clients.



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(d) Principal Activities

The principal activity of the Kenya Shipyards Limited is to provide world class maritime services through:

- i. Design and construction of new ships and ship components.
- ii. Ship repair and maintenance.
- iii. Ship refit and conversion.
- iv. Other maritime services.

(e) Directors

The Directors who served the Kenya Shipyards Limited during the Financial Year ended 30th June 2022 were as follows:

Director	Position	Date Appointed
Gen Robert K Kibochi	Chairman	29 th Sep 2020
Lt Gen Francis O Ogolla	V/CDF	29 th Sep 2020
Lt Gen (Rtd) Walter R Koipaton	Comd KA	29 th Sep 2020
Maj Gen John M Omenda	Comd KAF	23 rd July 2021
Maj Gen Jimson L Mutai	Comd KN	29 th Sep 2020
Dr Julius Muia	PS National Treasury	29 th Sep 2020
Dr Ibrahim M Mohamed	PS Defence	29 th Sep 2020
Mrs. Nancy Karigithu	PS Shipping & Maritime	29 th Sep 2020
Amb. Kiriimi Kaberia	PS Industrialization	29 th Sep 2020
Ms Reshma Shah	Independent Director	01 st Oct 2021
Ms Maryanne Karanja	Independent Director	01 st Oct 2021
Ms Monique Mukayagi	Independent Director	08 th Mar 2022
Brig Paul O Otieno	Managing Director	29 th Sep 2020
Brig Yvonne K Kirui	Chief of Legal Services	23 rd July 2021



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Corporate Secretary

The Chief of Legal Services (CLS)
Ministry of Defence
P.O. Box 40668-00100
Nairobi, Kenya

Corporate Headquarters

Kenya Shipyards Limited
Kenya Navy Base -Mtongwe
P.O Box 95350 – 80104
Mombasa, Kenya

Corporate Contacts

Telephone: +254769995132
 +254103552688
E-mail: info@ksl-mod.go.ke

Corporate Bankers

1. Cooperative Bank of Kenya
Nkrumah Road
P.O. Box 87771- 80100
Mombasa, Kenya

2. Kenya Commercial Bank of Kenya
Treasury Square
P.O. Box 90254- 80100
Mombasa, Kenya

Principal Legal Advisors

1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112-00200
Nairobi, Kenya

2. The Chief of Legal Services (CLS)
Ministry of Defence
Ulinzi House
P.O. Box 40668-00100
Nairobi, Kenya

Independent Auditors

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



II. The Board of Directors

**Gen Robert K Kibochi EGH CBS 'ndc' (K) 'psc' (UK)
CHAIRMAN**



Gen Kibochi is the Chief of the Kenya Defence Forces and Chairman to Kenya Shipyards Limited Board. He holds a PhD degree in Peace and Conflict Management, Master's Degree of Arts in International Studies, Master's Degree in Computer Based Information Systems, Bachelors of Technology in Communication and Electronics Engineering. He has held various command and staff appointments in the military both in Kenya and Africa.

**Lt. Gen Francis Omondi Ogolla
MGH EBS HSC 'ndc' (K) 'psc' (FRA)**



Lt Gen Ogolla is the Vice Chief of the Defence Forces. He holds a Diploma in International Studies and Military Science from Egerton University, a Bachelor of Arts degree in Political Science, Armed Conflict and Peace Studies and Masters of Arts in International Studies from the University of Nairobi. He has served as an observer, military information officer and held various appointments in training, command and staff positions.



Lt Gen (Rtd) Walter R Koipaton
MGH CBS OGW 'ndc' (K) 'psc' (TZ)

Lt Gen (Rtd) Koipaton was the Commander of the Kenya Army. He has previously served in several Command, Staff and Instructional positions in the Kenya Defence Forces. He holds a Diploma in International Relations from the University of Nairobi, a Bachelor of Science in Peace and Conflict Studies from the African Nazarene University and is a graduate of the National Defence University, Washington, USA.



Maj Gen John M. Omenda
EBS SS OGW 'rcds' (UK) 'psc' (K)

Maj Gen Omenda is the Commander of the Kenya Air force. He is a graduate of Defence Staff College of Kenya and Royal College of Defence Studies, UK. He holds a Diploma in Strategic Studies, Bachelor of Arts in Peace and Conflict studies and Master of Arts in International Security and Strategy. He has held various appointments in training, command and staff duties.



Maj Gen Jimson L Mutai
MGH MBS 'ndc' (K) 'psc' (K)

Maj Gen Mutai is the Commander Kenya Navy. He is a graduate of National Defence College Kenya and holds Diplomas in International Studies and Strategic Studies. He is currently undertaking Masters in International Relations and World Order at University of Leicester (UK). He has held various appointments in training, command and staff duties.



Dr. Ibrahim Mohamed, CBS

Dr Ibrahim is the Principal Secretary, Ministry of Defence. Dr. Ibrahim is a Public Health Physician by profession with over 30 years' experience in the Public Sector. He holds a Bachelor of Medicine and Surgery Degree, and a Master's Degree in Public Health from Boston University. He also holds an Executive Master's Degree in Business Administration from the University of Copenhagen Business School. Dr Ibrahim is a registered member of Kenya Medical Association (KMA) and Kenya Medical Practitioners and Dentists Board (KMPDB)



Dr. Julius Muia, CBS

Dr Muia is the Principal Secretary at The National Treasury. He holds a Degree in Accounting and masters Degree and PhD in Finance. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach. He has over 25 years' experience in leadership in the private sector in Kenya and UK.



Mrs. Nancy W Karigithu, CBS

Mrs Karigithu is the Principal Secretary State Department for Shipping and Maritime. She holds a Bachelor's degree in law and a master's degree in International Maritime law. She has previously served as Director General of Kenya Maritime Authority and has a working experience of 30 years, 26 of them in maritime industry and has been instrumental in revitalizing the maritime industry.



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Amb. Peter Kaberia, CBS

Amb Kaberia is the Principal Secretary for State Department for Industrialization. He has wide experience in international relations, diplomacy and global trade negotiations. He holds a masters Degree in International Law (LLM) and a Degree in Journalism and Communication. He has served the government in several positions including Principal Secretary, director and ambassador in many countries.



Ms Reshma Shah

Ms Reshma shah is a tax and business development expert. She is a qualified chartered accountant with over 20years multidisciplinary international and local experience in areas including business strategy & performance, risk and change management and tax. She currently runs her own consultancy firm where she specializes in supporting corporate clients to establish and implement business strategies.



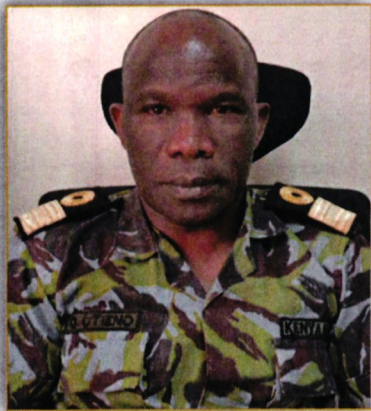
Ms Monique Mukayagi

Ms Mukayagi is a Human resource professional with a diverse work experience across a range of industries and cultures. She currently runs her own consultancy company as a trainer and certified coach.



Ms Maryanne Karanja

Maryanne Karanja is a business leader with over 20 years' track record in Supply Chain, Business strategy development and execution support across Africa. She has vast experience in Strategy Development, Team Leadership, embedding Change, Supply Chain Management, Project Management and Financial Management. She holds a B. Com (Finance & Banking major), MBA (Henley, UK) and is a Fellow of CIPS (UK) with an Accountancy qualification, CPA (K). She is a member of the Institute of Directors of Kenya (IOD) and the Women on Boards Network (WOBN).



Brig Paul O Otieno MBS 'ndc' (K) 'psc' (K)

Brig Otieno is the Managing director, KSL. He holds a Diploma in Strategic Studies, masters of science in Electronics and masters of arts degree in International Studies. He has experience in national strategic military assignments and international tasking including national security and peacekeeping operations.



Brig Yvonne K. Kirui 'ndc' (K) 'psc' (K)

Brig Kirui is the chief of legal services at Kenya Defence Forces. She is an advocate of the High court of Kenya and is the Company Secretary, KSL. She holds a bachelor's degree in Law, Master's degree in Business Administration and is a certified public secretary (CPS).



III. Management Team

The key management personnel who held office during the financial year ended 30th June 2022 were:



Brig Paul O Otieno
MBS 'ndc' 'psc' (K)
Managing Director
MSc(Elec), MA(Int studies)



Brig Yvonne Kirui
'ndc' 'psc'(K)
Company Secretary
L.L.B, CPS.



Col Peter M Muthungu
MBS 'ndc' 'psc' (K)
Head of Production
BSc, Naval Engr (Ger)



Lt Col George S Ole Katumpe
"acsc" (China)
Head of Finance
BSc Mil science, MBA(Supply),
MBA(Finance), Msc Mil
Science, CAPM



Lt Col Shem O Masese
'psc' (K)
Head of Strategy and ICT
B.Ed, Msc IT



Mr. Joel Muriithi
Head of Accounting
BBA, MBA (Finance),
CPA (K)



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Ms. Anne N. Kamaru
Head of Procurement
Dip Procurement, MSc
Procurement



Lt Col James O Ouda
Head of Corporate services
Dip Procurement, BA
Criminology, MA Intl conflict
mgt



**Maj Hussein A
Washenga**
OGW
Head Maintenance,
repair and overhaul
(MRO)



IV. Chairman's Statement



It gives me great pleasure to present the Annual Report and Financial Statements of Kenya Shipyards Limited (KSL) for the Financial Year ended 30 June 2022. Since its inception, KSL has made enormous strides and achieved notable milestones in catalysing the shipbuilding industry and in provision of maritime products and services. In line with its mandate, KSL has continued to construct, refit, repair and maintain maritime

vessels for Government Ministries, Departments and Agencies (MDAs) as well as private entities within the region.

KSL started the Financial Year on a positive note based on its strategic location, goodwill and support from the Government and Ministry of Defence. KSL start-up journey has been anchored on strong partnership with a global partner, M/s Damen shipyards Gorinchem (Netherlands) to leverage on knowledge transfer and capacity building. KSL is upskilling and reskilling the employees by mirroring through joint constructions and on job training. This has resulted in increased availability of skilled local labour in shipbuilding.

The period under review saw KSL commission the Mombasa Shipyard, commenced refit of KNS Shupavu, Commission the Kisumu Shipyard and Float MV Uhuru II. It is envisioned that KSL will spur ship building and unlock the Blue Economy potential within the Lake Basin and Indian ocean region and also attract foreign and domestic direct investments.

I wish to acknowledge and appreciate the unequivocal goodwill by the Government in funding and supporting KSL operations and projects. I would also like to appreciate the support offered by the Ministry of Defence, the National Treasury, our customers,



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partners and staff. KSL is committed to building on the achievements to continuously improve its operations and products, and offer world class services to its customers.

.....
Gen Robert K Kibochi
Chairman KSL



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V. Report of the Managing Director

It is with great honour that I present to you the Kenya Shipyards Limited Annual Report



and Financial Statements for the Financial Year ended 30 June 2022. This marks our second year of operation since incorporation in September 2020 and I am glad to report that KSL has been able to deliver in its mandate of catalysing the shipbuilding industry. The Kenya Shipyards Limited has played a key role in enhancing maritime security and surveillance through repair and maintenance of maritime assets of the Kenya Navy, Kenya Coast Guards

Service (KCGS), Kenya Ports Authority (KPA), Kenya Maritime Authority (KMA) and other MDAs that have security, enforcement and regulatory responsibilities in our territorial waters. This has ensured mission readiness of our defence and security forces that is expected to yield optimal exploitation of our maritime resources and maximum protection of our sea lanes of communication.

KSL has anchored its business strategy on leveraging on its relationship with MDAs and strategic partners in order to acquire, develop and maintain an overwhelming share of the Blue Economy niche market. To this end, KSL has signed appropriate agreements with various MDAs and local partners for provision of maritime products and services in line with its mandate. Besides, the company is in the process of forming partnerships with international shipyards in India, Pakistan, South Korea, Turkey, Germany and Malaysia as well as with regional East African Partner States.

In the year under review, KSL partnered with M/s Damen Gorinchem from the Netherlands and in particular with regards to upgrading of Kisumu yard and construction of MV Uhuru II, managed to complete the project in time despite the challenges encountered that included the COVID-19 pandemic, short supply of raw materials like marine grade steel and lack of experienced technical personnel. KSL directly employed 1,954 employees mainly working in the upgrading of Kisumu Shipyard and construction of MV Uhuru II, three quarters of whom are youths.



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Over time, as shipbuilding industry takes root, key technical skills will be transferred to our young men and women who will form a critical technical base in sustaining growth of the shipbuilding industry. Each direct job in the KSL shipbuilding activities was associated with another 2.67 jobs in ancillary and support industries in other parts of the national economy. It is envisioned that other significant indirect and induced employment activities in spare parts, accessories, consumables, wholesale and retail trade will occur as a result of the cascading growth of Shipbuilding industry.

In line with our mandate, our focus is to develop Kenya's self-reliance capabilities to unlock our latent blue economy and maritime potential. KSL prides itself on having dedicated teams around shipbuilding and an integrated research and development team that continuously develops our products, support the sales team on individual customer requirements and addressing new technological, legislative and industry reforms and improvements. Our track record is impressive having revived economic activities around Lake Victoria and spurring other ancillary industries associated with shipbuilding.

In conclusion, I take this opportunity to express my sincere gratitude to the Government, the Ministry of Defence and The National Treasury for their distinguished role in facilitating and supporting KSL in achieving our mandate through both policy and budgetary support. On behalf of the entire Management and staff, I wish to thank the Chairperson and the Board of Directors, for their continued support, visionary leadership and guidance they provided to the management team throughout the year. I also wish to recognize the role played by our clients who continue to support our various initiatives and take up our various product offerings. They remain a crucial stakeholder without whom we would not have achieved our objectives and goals.

.....
Brig Paul O Otieno

Managing Director, KSL

VI. Statement of Performance against Predetermined Objectives for FY 2021-2022

KSL has Five Strategic Pillars within its annual work plan for FY 2021/2022. These pillars are as follows:

Pillar 1: Quality

Pillar 2: Customer Focus

Pillar 3: Cost Effective

Pillar 4: Research and Development

Pillar 5: Partnerships

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Quality	To enhance corporate image through quality service and product delivery	<ul style="list-style-type: none"> a. Trainings on shipbuilding certification. b. Partnership with world class shipbuilding entity in start-up journey. 	<ul style="list-style-type: none"> a. In-house trainings on shipbuilding activities. b. Partner with shipbuilding entity. 	<ul style="list-style-type: none"> a. Conducted trainings in Kisumu and Mombasa on welding. b. Partnered with Damen Shipyards to leverage on skills transfer and technology.
Customer Focus	To reliably and efficiently service maritime requirements of MDAs	<ul style="list-style-type: none"> a. No of repairs and maintenance delivered upon/supplied. b. No of surveys conducted. 	<ul style="list-style-type: none"> a. Repair, overhaul and maintenance of vessels for MDAs. b. Undertake vessel surveys for MDAs. 	<ul style="list-style-type: none"> a. Repaired and supplied maritime products to various MDAs. b. Vessel surveys for various MDAs conducted in Shimoni, Lamu, Mombasa and Kisumu.

Cost effectiveness	To reduce costs by sourcing for local labor and material	a. No of local personnel engaged in projects. b. No of local OEMs engaged.	a. Engage KDF personnel and locals. b. Engage local OEMs in maritime sector.	a. Engaged 184 personnel from MOD and over 500 local citizens. b. Engaged local OEMs in supply of maritime products and services.
Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Research and Development	To support product evolution and innovation	a.No. of collaborations with TVETs on R&D. b.Engagement with expert consultants. c.Constitute R&D team.	b. Collaborate with TVETs c. Engage with technical experts d. Constitute R&D team	a.Engage with Kisumu polytechnic in developing a water hyacinth harvester. b.Engage technical consultants in shipbuilding and engineering c.Constituted R&D team in MRO department.
Partnerships	To strengthen organizational capacity through partnerships	a.Framework agreements. b.Engagement with partners. c.No. of joint activities.	a. Sign framework agreements. b. Partner with other shipbuilding entities.	a.Agreement concluded with Damen shipyards. b.Engaged other partners such as Med marine, SECO, AMGECO, Bogazici shipyards.



VII. Corporate Governance Statement

The Kenya Shipyards Limited subscribes to the tenets of governance as provided in Chapter 6 - Leadership & Integrity in the Constitution of Kenya 2010. The Board is also guided by the principles of good governance as stipulated in Mwongozo: The Code of Governance for State Corporations. The Board of Directors and management are committed to upholding the tenets of good corporate governance and best practice in support of KSL Vision to be the leading catalyst in development of shipbuilding industry in Eastern Africa.

Appointment and removal of Directors

The Memorandum & Articles of Association of the Company state that the provisions of the State Corporations Act shall govern the appointment and removal of the Board. The constitution of the Board is provided for under the Memorandum & Articles of Association Section 3. The Board members other than the independent directors appointed by the Cabinet Secretary responsible for defence, may appoint their alternates by notice in writing to the chairperson.

Board Changes

Lt Gen (Rtd) Levi Mghalu ceased to be a board member following his retirement from the military in July 2021. Maj Gen John Omenda and Brig Yvonne Kirui joined the board in July 2021 after their appointment as Kenya Air Force Commander and Chief of Legal Services. During the year three independent directors were gazetted namely: Ms Reshma Shah, Ms Maryanne Karanja and Ms Monique Mukayagi.

Roles and Functions of the Board

The primary role of the Board is to ensure prosperity of the Company for the benefit of Shareholders, customers, employees and other stakeholders. The Board is responsible for policy formulation; Strategic Leadership and Planning; Resource Mobilization and Project management; Decision making; Compliance and Risk Characterization; Monitoring Progress and Direction of Executive Performance. This is achieved through adoption of ethically driven business structures, procedures and processes to meet our client expectations.



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Board Composition and diversity

The current Board has Twelve (12) members. The Board composition is outlined in the Articles of Association (Article 9). The members possess a broad range of skills and competencies, including legal, finance, economics and strategic management. The biographies of the Board members are disclosed on pages vii to xiii of this report. The Board had Four female board members out of Twelve members and therefore meets the constitutional threshold of at least a third of all members to be female.

Ethics and Conduct

Kenya Shipyards Limited continues to consistently implement compliance as stipulated in the Constitutional Provisions of Chapter VI (Leadership and Integrity), Leadership and Integrity Act, National Values and Public Officers Ethics Act. The Company ensures corporate governance guidelines and best practices are followed and that all corporate affairs are managed in a fair, efficient and transparent manner.

Conflict of Interest

The Board members are obligated to fully disclose any real and potential conflict of interest which comes to their attention. The members are aware that all their business transactions or those of their related parties are to be disclosed to avoid any conflict of interest. The Board wishes to report that there were no insider dealings for the year ended 30 June 2022.

Board Remuneration

In accordance with the State Corporations Act and Salaries and Remuneration Commission circulars, the directors are paid allowances as remuneration for conducting official company business. KSL does not grant personal loans or guarantees to its directors.

Succession Plan

The Board is cognizant of the importance of a Board succession planning policy to ensure continuity in business and a continuous refreshing of skills in the Board. The board members other than independent directors appointed by the Cabinet Secretary responsible for defence, are considered to be directors after their appointment to their



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respective designation. The independent directors appointed by the Cabinet Secretary defence are considered to be directors after their Gazettement.

Board Charter

Kenya Shipyards Limited has developed a Board Charter which is the reference guide for the Directors in stipulating their individual and collective responsibilities, powers, duties and obligations. The Charter outlines powers and responsibilities of the Board and its members, appointment, remuneration, term of the Board members, conduct of meetings, committee's terms of reference, conflict of interest among others. The Charter is drawn from the Mwongozo Code and best Corporate Governance Practices. The above tool has been presented to the Board for approval.

Induction

New members of the Board are inducted to appraise them with operations of Kenya Shipyards Limited. As part of the induction program, detailed presentations are made by management and site visits to the yards so that the Directors can familiarise and gain good sense of KSL operations. During the year, three new members of the Board were inducted.

Board attendance and Committees

The Board is responsible and accountable to the Government of Kenya, through the Ministry of Defence, in ensuring that the Company complies with the law and the highest standards of corporate governance. The Board meets quarterly or additionally when necessary to consider matters relating to the overall control of the business. The Board work plan and calendar are prepared at the beginning of year and adequate notice, agenda and board papers are circulated within the stipulated timelines. During the period under review, the Board met Two (2) times and below is an extract for attendance of the board meeting:



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S/No	Members	Designation	Attendance	%
1.	Gen Robert K Kibochi	Chairman	2/2	100%
2.	Lt Gen Francis O Ogolla	V/CDF	2/2	100%
3.	Dr Ibrahim M Mohamed	PS Defence	2/2	100%
4.	Lt Gen (Rtd) Walter R Koipaton	Comd KA	2/2	100%
5.	Maj Gen Jimson L Omenda	Comd KAF	2/2	100%
6.	Maj Gen Jimson L Mutai	Comd KN	2/2	100%
7.	Dr Julius Muia Alternate Dir : Mr Humphrey Muhu	PS National Treasury	1/2	50%
8.	Mrs Nancy Karigithu Alternate Dir : Eng Joseph Atonga	PS Shipping & Maritime	2/2	100%
9.	Amb Kirimi Kaberia	PS Industrialization	1/2	50%
11.	Ms Reshma Shah	Independent Director	0/2	-
12.	Ms Maryanne Karanja	Independent Director	1/2	50%
13.	Ms Monique Mukayagi	Independent Director	0/2	-
14.	Brig Paul O Otieno	Managing Director	2/2	100%
15.	Brig Yvonne K Kirui	Chief of Legal Services	2/2	100%

Board Committees

To effectively execute its oversight role, the Board has established four (4) committees with specific delegated mandates. The Board Committees are run with clearly articulated terms of reference as approved by the Board of Directors. The membership is summarised as follows:

Finance and Strategy	Human Resource	Audit	Operations
1. PS Treasury - Chair 2. Comd KAF 3. Comd KN 4. PS Shipping and Maritime	1. Comd KAF - Chair 2. Comd KN 3. PS Industrialization	1. PS Defence - Chair 2. Comd KA 3. PS Shipping and Maritime	1. VCDF- Chair 2. Comd KN 3. PS Industrialization



VIII. Management Discussion and Analysis

Section A: Financial Performance

KSL is supported by the National Government through the Ministry of Defence. In the financial year under review, KSL was allocated a total of Kshs 3 billion for upgrade of Kisumu yard and Construction of wagon ferry. KSL is mandated to provide maritime services to all MDAs with maritime assets out of which a total revenue of Kshs 3.8 Billion (including above government grant of Kshs 3 billion) was realized against Kshs 1.1 Billion in the previous year. The increase is attributable to implementation of the executive order directing all MDAs to source for their maritime requirements from KSL.

Section B: Compliance with statutory requirements

The annual financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with IFRS standards and in a manner required by its establishing Act, state corporations act and the PFM Act. KSL has also complied with other legal requirements such as submission of statutory deductions to KRA and its internal policies and procedures. There are no instances of non-compliance that would lead to financial loss.

Section C: Key projects

During the Financial Year 2021-2022, KSL continued to undertake key strategic projects assigned by the National Government. The agreed targets and planned activities were geared towards activation our national strategic agenda embedded in the Kenya Vision 2030, the Big Four Agenda and the Blue Economy. The projects are:

- i. Construction of 100-meter long wagon ferry at Kisumu Shipyard
- ii. Upgrade of Kisumu Shipyard
- iii. Revitalization of Kenya Railways Locomotives
- iv. Mid-life refit of Kenya Navy Ship Shupavu
- v. Supply of tug boat for Lamu port
- vi. Repair and Maintenance of various vessels for MDAs





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Section D: Implementation of presidential directives

During the year, KSL implemented all Presidential directives, circulars and executive orders issued and relevant to its mandate. This includes allocation of resources to priority areas without wastages, ethics and integrity.



IX. Environmental and Sustainability Reporting

KSL is committed to carrying out its business and affairs in a socially responsible, sustainable and meaningful way taking into account ethics, the environment and society at large. KSL has twinned its primary mandate with positive impacts to the society in which it operates through creation of employment opportunities, provision of goods and services, contribution to the economy by paying taxes, contributing towards development of infrastructure and improvement of quality of life for the people.

i) Sustainability strategy and profile

At KSL sustainability means doing business responsibly, empowering future generations, and building a resilient business that can survive turbulent times without impacting the environment negatively. In its operations, KSL focuses on meeting the needs of the present without compromising the ability of future generations to meet their needs. We are committed to meeting the environmental, Social and Governance standards.

ii) Environmental performance

KSL recognizes its responsibility to ensure that all reasonable steps are taken to protect and preserve the environment in which it operates; hazards are removed and controlled, and health preservation and injury protection of employees is achieved, whilst also being a good neighbour.

KSL ensure compliance in line with Environment Management Act, Occupational Safety and Health Act, public health Act and other statutory provisions that apply in our area of operations to ensure good sustainable practices are employed.

iii) Employee welfare

The wellbeing of our employee and their families has been part of our agenda in achieving a motivated workforce. KSL is committed to providing and maintaining work conditions, equipment and systems of works which are safe and healthy for all stakeholders including employees and other persons at or near our operations. To promote safety culture, KSL continues to conduct





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security, health and safety sensitization programs to its personnel. In fighting the COVID 19 pandemic the company organised vaccination drives for our employees and the communities around us. In line with its strategic pillar on enhancing capacity building through knowledge transfer, KSL is upskilling and reskilling its employees by mirroring classified and local welders at a ratio of 1:4 for on job training and skills transfer thereby increasing the availability of skilled local labour in shipbuilding.

iv) **Market place practices**

a. **Suppliers**

KSL procurement process is guided by the provisions of the Public Procurement and Asset Disposal Act, 2015 and Public Procurement and Asset Disposal Regulations 2020. KSL endeavours to achieving the highest degree of professionalism, transparency, legal compliance and value for money in the procurement processes. To promote empowerment of the special groups through Access to Government Procurement Opportunities (AGPO), the company procured good and services worth Kshs 128,732,912 from the special groups. KSL continues to support the promotion of local content initiative through buy Kenya Build Kenya program by purchasing goods and contracting services from Kenyan Citizen contractors in supporting growth of the local industry for sustainable development.

b. **Customers**

Our desire is to become the preferred quality maritime services and products partner for customers in Eastern Africa. Since inception, KSL has been devoted to our clients in achieving successes and building lasting relationships. The business development team conducts surveys and research to understand our customer needs, expectations and aspirations which is then tricked down to our research and development team that improves and develops high quality and cost effective maritime products through product evolution and innovation.



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v) **Community Engagement**

KSL has continued to positively engage with local communities in project areas, the general public, sector partners and other stakeholders in its quest of cultivating goodwill necessary for continued security and room to operate in the various project areas. KSL has offered employment opportunities to locals in their local areas thereby uplifting the standards of life in the communities. The procurement of goods and services has been decentralized to the various yards to offer favourable support of businesses in the areas of operation.



X. Report of the Directors

The Directors are pleased to submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of Kenya Shipyards Limited affairs.

i) Principal activities

The principal activities of the Kenya Shipyards Limited are indicated in **Section I**.

ii) Results

The results of the KSL for the year ended June 30, 2022, are indicated in **Section VI-IX**.

iii) Directors

The members of the Board of Directors who served during the year are indicated in **Section I & II**.

iv) Auditors

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

By Order of the Board

.....
Brig Yvonne K Kirui
Corporate Secretary

29 SEPTEMBER.....2022





XI. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act require the Directors to prepare financial statements in respect of Kenya Shipyards Limited (KSL) which give a true and fair view of the state of affairs of KSL at the end of the financial year as well as the operating results. The Directors are responsible for ensuring that the entity keeps proper accounting records that are sufficient to show and explain the transactions of the entity. They are also responsible for safeguarding the assets of the entity and taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for KSL financial statements, which have been prepared using appropriate accounting policies in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. They also accept responsibility for:

- (i) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to error or fraud.
- (ii) Selecting and applying appropriate accounting policies.
- (iii) Making Judgement and accounting estimates that are reasonable in the circumstances.

The Directors are of the opinion that the KSL financial statements give a true and fair view of the state of KSL transactions during the financial year ended June 30, 2022. The Directors further confirm the completeness of the accounting records maintained for KSL which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Directors to indicate that the KSL will not remain a going concern for at least the next twelve months from the date of this statement





Kenya Shipyards Limited
Annual Report and Financial Statements for the year ended 30th June 2022

Approval of the financial statements

KSL financial statements were approved and signed on its behalf by:

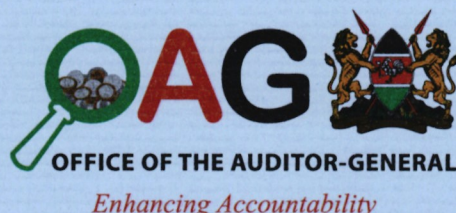
.....
Gen Robert K Kibochi
Chairperson of the Board

.....
Brig Paul O Otieno
Managing Director, KSL



REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA SHIPYARDS LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the 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 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 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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

Opinion

I have audited the accompanying financial statements of Kenya Shipyards Limited set out on pages 1 to 40, which comprise the statement of financial position as at 30 June, 2022,

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, the financial statements present fairly, in all material respects, the financial position of the Kenya Shipyards Limited as at 30 June, 2022 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 Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Shipyards Limited Management in accordance with ISSAI 130 on 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Report, Report of the Directors, Report of the Managing Director, corporate governance statement, Management discussions and responsibilities, environmental and sustainability reporting and the statement of Directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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 matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Meet Board Meetings Thresholds

During the year under review, the full Board met only twice on 31 August, 2021 and 31 May, 2022 and no Committee meetings were held. This is contrary to the provisions of Circular Ref. No. OP/CAB.9/1A of 11 March, 2020 which requires that the Committees should hold a minimum of four (4) meetings and maximum of six (6) meetings in a financial year.

The Board of Directors was therefore in breach of the provisions of the Circular.

2. Failure to Confirm Board Appointment Through a Gazette Notice

Review of the Company's records provided for audit revealed that, three independent Board Members were nominated to the Board and gazetted via Gazette Notice Vol.CXXIII No.212 dated 15 October, 2021 with one Member declining the appointment which was revoked on 02 February, 2022. The Board nominated a replacement as per the minutes dated 31 May, 2022. However, no evidence was provided indicating that the replacement was gazetted as provided for under Section 6(1)(a) and (e) of the State Corporations Act, Cap 446 of the Laws of Kenya which requires every appointment to be by name and by notice in the Gazette.

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 processes and systems of internal control, 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

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the 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 control 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 control, risk management and overall 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 the Management is aware of the intention to liquidate the Company or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance 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 the 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

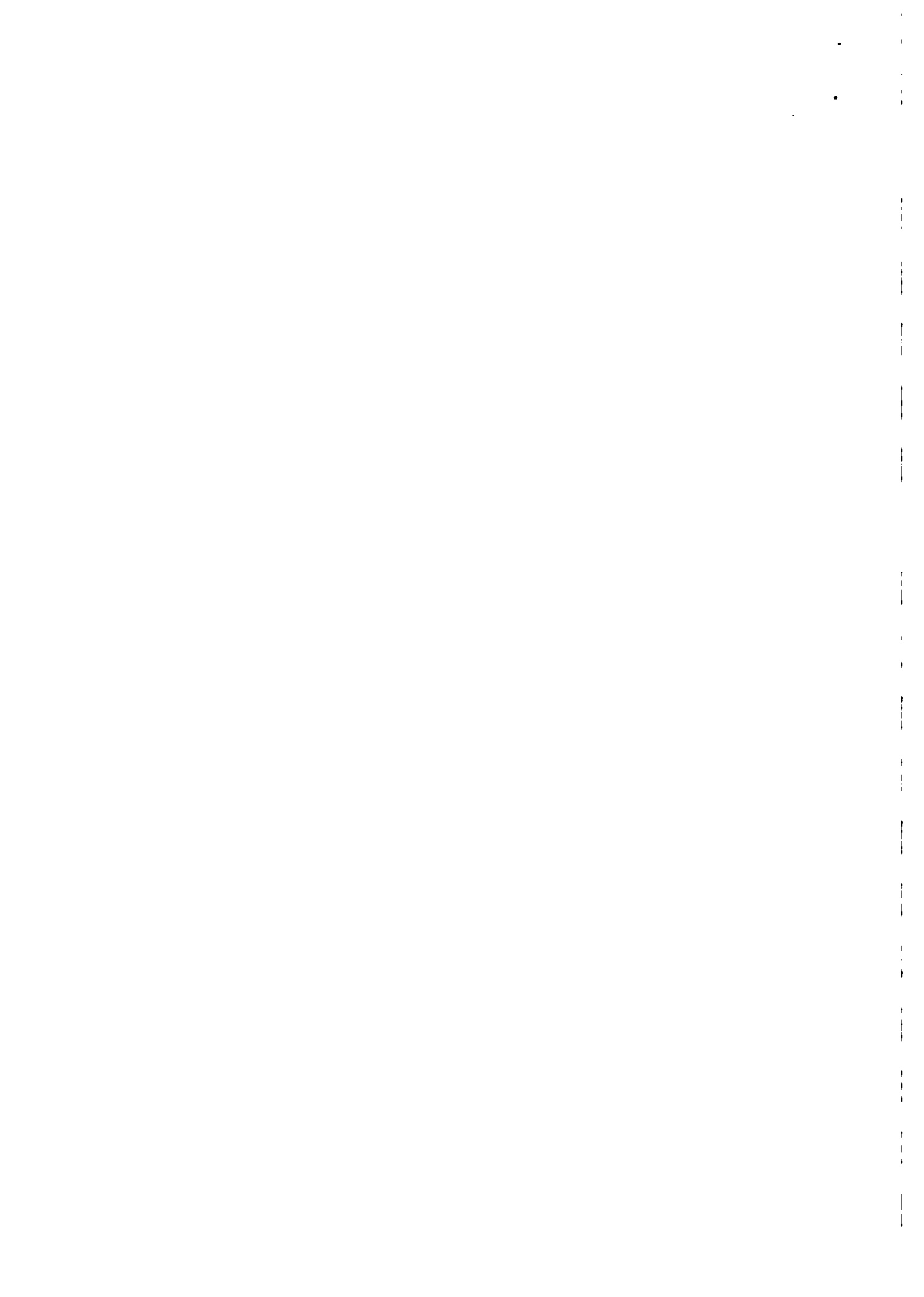
06 January, 2023



Kenya Shipyards Limited
Annual Report and Financial Statements for the year ended 30th June 2022

XIII. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2022.

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Revenue from Contracts	6	3,830,229,031	1,086,711,112
Cost of Sales	7	3,944,318,242	894,940,695
Gross Profit		(114,089,211)	191,770,418
Other Income			
Grants from National Government	8b	329,554,139	157,068,126
Other Income	8c	25,733	-
total other income		329,579,872	157,068,126
		215,490,661	348,838,544
Operating Expenses			
Administrative costs	9	443,399,946	157,068,126
Total Operating expenses		443,399,946	157,068,126
Profit		(227,909,285)	191,770,418
Income Tax			
Profit after Tax		(227,909,285)	191,770,418



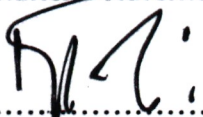


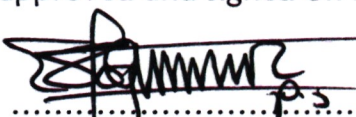
Kenya Shipyards Limited
Annual Report and Financial Statements for the year ended 30th June 2022


XIV. Statement of Financial Position as at 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Non-Current Assets			
Property Plant & Equipment	10	1,997,345,191	1,142,963,651
Total Non-Current Assets		1,997,345,191	1,142,963,651
Current Assets			
Cash and Cash Equivalents	11	482,380,963	376,393,762
Trade Receivables	12	802,622,733	317,311,876
Total Current Assets		1,285,003,696	693,705,638
Total Assets		3,282,348,888	1,836,669,288
Equity and Liabilities			
Capital Fund		1,997,345,191	1,142,963,651
Retained Earnings		(11,458,994)	191,770,418
Total Net Assets		1,985,886,197	1,334,734,068
Current Liabilities			
Trade Payables	15	3,260,020	1,266,997
Deferred Income	16	1,293,202,670	500,668,224
Total Current Liabilities		1,296,462,691	501,935,220
Total Equity and Liabilities		3,282,348,888	1,836,669,288

The financial statements were approved and signed on its behalf by:


.....
Gen Robert K Kibochi
Chairman of the Board


.....
Brig Paul O Otieno
Managing Director


.....
Mr Joel Muriithi
Head of Accounting
ICPAK M/NO:20667



Kenya Shipyards Limited
Annual Report and Financial Statements for the year ended 30th June 2022

XV Statement of Changes in Equity for the year ended 30 June 2022

	Ordinary Share Capital	Capital Fund	Retained Earnings	Total
	Kshs	Kshs	Kshs	Kshs
At July 1, 2020				
Ordinary Share Capital	-	-	-	-
Grants transferred to Capital fund	-	1,142,963,650	-	1,142,963,651
Profit for the Year	-	-	191,770,418	191,770,418
At June 30, 2021	-	1,142,963,651	191,770,418	1,334,734,734
At July 1, 2021				
Ordinary Share Capital	-	-	-	-
Grants transferred to Capital fund	-	879,061,414	-	879,061,414
Profit for the Year	-	-	(227,909,285)	(138,743,352)
Transfer of depreciation from capital fund to retained earnings	-	(24,679,873)	24,679,873	-
At June 30, 2022	-	1,977,345,191	(11,458,993)	2,075,052,130



Kenya Shipyards Limited
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XVI. Statement of Cash Flows for the year ended 30 June 2022

	2021-2022	2020-2021
	Kshs	Kshs
Cash flows from operating activities		
Surplus for the year	(227,909,285)	191,770,418
Adjustments:	-	
Depreciation	24,679,873	-
Increase in Payables	1,993,024	1,266,997
Increase in Receivables	(485,310,858)	(317,311,876)
Net Cash Generated from Operating Activities	(686,547,246)	(124,274,461)
Cash Flow from Investing Activities		
Purchase of Property Plant and Equipment	(879,061,414)	(1,142,963,651)
Net Cash Flow from Investing Activities	(879,061,414)	(1,142,963,651)
Cash flows from Financing Activities		
Grants received for capital Assets	879,061,414	1,142,963,651
Deferred income received.	792,534,447	500,668,224
Net Cash from Financing Activities	1,671,595,861	1,643,631,874



Kenya Shipyards Limited

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Net Increase in Cash & Equivalents	105,987,201	376,393,762
Cash & Equivalents at the year Start	376,393,762	-
Cash & Equivalents at Year End	482,380,963	376,393,762



Kenya Shipyards Limited
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XVII Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Variance	%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfer from Govt	2,000,000,000	1,000,000,000	3,000,000,000	3,000,000,000	-	-
Donations in Kind	-	-	-	1,150,000	(1,150,000)	100%
Other Income	-	-	-	25,733	(25,733)	100%
Roll over	946,936,997	-	946,936,997	888,980,749	57,956,248	6%
Total Revenue	2,946,936,997	1,000,000,000	3,946,936,997	3,890,156,482	56,780,515	
Expenses						
Cost of Sales	1,776,455,120	800,000,000	2,576,455,120	2,399,716,422	176,738,698	7%
Administrative Expenses	723,946,688	200,000,000	923,946,688	797,543,596.76	126,403,091	14%
Total Expenditure	2,500,401,808	1,000,000,000	3,500,401,808	3,197,260,019	303,141,789	
Net Surplus	446,535,189	-	446,535,189	277,384,091	169,151,098	36%
Budget notes						

a. As at the end of FY 2021/22, KSL was yet to receive Kshs 57,956,248 from the Ministry of Defence as part of the rolled over budget.



Kenya Shipyards Limited
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- b. The increase in expenditure on compensation of employees was occasioned by an increase in number of casuals and working hours to include night shifts so as to meet the timelines of delivery of the projects.
- c. Funds were prioritized to cater for the contractual obligations and providing seed capital to kick start business resulting in slowed absorption on recurrent expenditure.



XVIII. Notes to the Financial Statements

1. General Information

Kenya Shipyards Limited is established by and derives its authority and accountability from Companies Act, State Corporations Act and the Public Finance Management Act 2012. The Kenya Shipyards Limited is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity continues to be provision of world class construction, refit, repair and maintenance of ships and other maritime 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. 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 areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.



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Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

a) New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and



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Standard	Effective date and impact:
	<ul style="list-style-type: none">• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The standard has no impact on KSL</p>
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none">(a) The nature of such social benefits provided by the Entity.(b) The key features of the operation of those social benefit schemes; and(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p>The standard has no impact on KSL</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none">a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.



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Standard	Effective date and impact:
	<p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Standard has no impact on KSL</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>The standard has no impact on KSL</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The Standard has no impact on KSL</p>
<p>IPSAS 44: Non- Current Assets Held for</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p>



Kenya Shipyards Limited
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Standard	Effective date and impact:
Sale and Discontinued Operations	<p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The standard has no impact on KSL</p>

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.



Kenya Shipyards Limited
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Notes to the Financial Statements (Continued)

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

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non- current (issued in January 2020)	The amendments, 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, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.



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Title	Description	Effective Date
IFRS 17 Insurance Contracts (Issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
	between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption 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.

ii. Early adoption of standards

Kenya Shipyards Limited did not early – adopt any new or amended standards in Financial Year 2021-2022.



Kenya Shipyards Limited
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

KSL recognizes revenue from the sale of maritime products and provision of maritime services. The Company recognizes revenue as and when it satisfies a performance obligation by transferring control of goods or service to its customers. Revenue is recognized at the fair value of consideration received or the amount the Company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties. Detailed policies for revenue recognition are as below:

- i. **Revenue from the sale of goods and services** is recognized in the year in which the Kenya Shipyards Limited delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii. **Grants from National Government** are recognized in the year in which the company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii. **Other income** is recognized as it accrues.

b) Property, plant and equipment

All categories of property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is



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probable that it will increase the future economic benefits associated with the item that will flow to the Company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit or loss in the year in which they are incurred.

Increases in the carrying amount arising from revaluation are recognized in other comprehensive income and accumulated in equity under the heading revaluation reserve. Decreases that offset previous increases of the same asset are recognized in the income statement. All other decreases are charged to profit or loss. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

c) Depreciation and impairment of property, plant and equipment

No depreciation is charged on Freehold land and capital work in progress. Capital work in progress relates to the cost of ongoing but incomplete works on buildings and other civil works and installations pertaining to Kisumu yard upgrade.

Depreciation on other assets is recognized in the income statement on a straight-line basis to write down the cost of each asset to its residual value over its expected useful life.

The depreciation rates used are as follows:

Freehold Land	Nil
Buildings and civil works	2%
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	20%
Computers and related equipment	25%
Office equipment, furniture and fittings	10%



Kenya Shipyards Limited
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

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

d) Trade and other receivables

Trade and other receivables are recognized 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.

e) 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.

Income tax expense represents the sum of the tax currently payable and deferred income tax. The tax currently payable is based on taxable profit for the year. Taxable



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profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Kenya Commercial Bank and Cooperative Bank of Kenya as at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers which were not surrendered as at the end of the financial year.

g) 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.



Kenya Shipyards Limited
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

h) Exchange rate differences

The accounting records are maintained in Kenya Shillings. Transactions in foreign currencies during the year are translated into the Kenya Shillings using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

i) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly in June 2021. Subsequent revisions and 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. Accordingly, KSL recorded additional appropriations of Kshs 1 billion on the 2021-2022 budget following approval by The National Treasury.

Kenya Shipyards Limited 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.



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Notes to the Financial Statements (Continued)

j) Comparative figures

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

k) 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, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Kenya Shipyards Limited financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

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



b) Useful lives and residual values

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

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

c) Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. No provisions were made in the financial year under review.



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Notes to the Financial Statements (Continued)

6. Revenue from Marine Contracts

Description	2021/2022	2020/2021
	Kshs	Kshs
Wagon Ferry	1,172,241,850	
KPA Tug boat	1,398,410,244	
Kenya Railways Corporation	1,191,263,832	
Marine Contract Revenues	68,313,104	1,086,711,112
Total	3,830,229,032	1,086,711,112

In FY 2021/22 KSL was engaged in supply of maritime goods and services to various MDAs that included construction of Wagon ferry for Ministry of Defence, Revitalization of locomotives for Kenya Railways Corporation and Supply of tug boat MV Pate for Kenya Ports Authority.

7. Cost of Sales

	2021/2022	2020/2021
	Kshs	Kshs
Marine Contract Costs	3,501,008,658	838,986,876
Labor	213,330,777	55,953,819
Transport	229,978,807	-
Total	3,944,318,242	894,940,695



Notes to the Financial Statements (Continued)
8. Government Grants and other Donations

	2021/2022	2020/2021
	Kshs	Kshs
Development Grant	2,000,000,000	
Recurrent Grants	-	1,800,000,000
Donation from Partners	1,150,000	700,000
Total	2,001,150,000	1,800,700,000

8b)

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Defence	329,554,139	791,384,447	879,061,414	2,000,000,000	1,800,000,000
Donations from Partners		1,150,000.00		1,150,000	700,000
Total	329,554,139.34	792,534,446.70	879,061,413.96	2,001,150,000	1,800,700,000.

The Cooperative Bank and Kenya Commercial Bank donated Kshs 1 million and Kshs 150,000 respectively in support of the Commissioning ceremony of Mombasa Shipyard held in December 2021.

8c) Other Income

	2021/2022	2020/2021



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	Kshs	Kshs
Interest Income	25,732.95	-
Total	25,732.95	-

Notes to the Financial Statements (Continued)

9. Administrative Expenses

Administrative Expenses	2021/2022	2020/2021
	Kshs	Kshs
insurance costs	730,727	840,854
Consultancy fees	7,820,050	5,034,240
Electricity and Water	20,169,378	12,288,682
Communication services and supplies	3,096,323	4,673,000
Advertising	8,429,889	180,120
Transportation, travelling & subsistence	18,713,006	24,297,247
Rent expenses	30,017,222	25,689,665
Training expenses	23,745,917	11,175,992
Hospitality supplies and services	113,112,400	41,146,635
Bank charges and commissions	599,384	30,440
Refined Fuel, oil & Lubricants	46,686,676	3,779,993
Office and general supplies and services	99,565,670	5,739,163
Board of Directors expenses	1,757,771	7,733,700
Safety Equipment & clothing	24,111,503	12,664,053
Licenses and permits	62,400	20,000
Cleaning materials and detergents	2,287,816	43,000
Postage & courier	235,407	25,280
Repairs and Maintenance	17,411,815	1,706,063



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Subscription to Newspapers	33,600	-
Fungicides, insecticides and Sprays	133,120	-
Depreciation	24,679,873	-
Total	443,399,946	157,068,126



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Notes to the Financial Statements (Continued)

10. Property, Plant and Equipment

	Building	MV	ICT Equipment	Office equipment, furniture & fittings	Capital work in progress	Total
As at July 2020	2%	20%	25%	10%	-	-
Additions	93,812,131	19,724,928	4,405,050	21,100,057	1,003,921,485	1,142,963,651
As at June 2021	93,812,131	19,724,928	4,405,050	21,100,057	1,003,921,485	1,142,963,651
Cost at 01 July 2021	93,812,131	19,724,928	4,405,050	21,100,057	1,003,921,485	1,142,963,651
Additions	186,433,954	615,400	26,310,079	52,180,981	613,521,000	879,061,414
Cost at 30th June 2022	280,246,084	20,340,328	30,715,129	73,281,038	1,617,442,485	2,022,025,064
Depreciation						
As at 1st July 2021	-	-	-	-	-	-
Charge for the Year	5,604,922	4,068,061	7,678,782	7,328,101	-	24,679,873
As at 30th June 2022	5,604,922	4,068,066	7,678,782	7,328,104	-	24,679,873
Net Book Value	274,641,163	16,272,262	23,036,347	65,952,934	1,617,442,485	1,997,345,191



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	2021	2020	2019	2018	2017
Net Book Value 20/21	95,812,131	19,726,121	4,405,055	21,100,957	1,003,921,385
					1,142,963,651



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Notes to the Financial Statements (Continued)

Valuation

Land and buildings are yet to be valued by an independent valuer. The amount recorded for buildings relates to actual costs used in construction of the buildings.

10 (b) Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Buildings	280,246,084	(5,604,922)	274,641,163
Motor Vehicles, Including Motorcycles	20,340,328	(4,068,066)	16,272,262
Computers And Related Equipment	30,715,129	(7,678,782)	23,036,347
Office Equipment, Furniture, And Fittings	73,281,038	(7,328,104)	65,952,934
	404,582,579	24,679,873	379,902,706

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost Valuation	Normal Annual Depreciation charge
	Kshs	Kshs
Motor Vehicles, Including Motor Cycles	20,340,328	4,068,066
Computers And Related Equipment	30,715,129	7,678,782
Office Equipment, Furniture And Fittings	73,281,038	7,328,104
Total	124,336,495	19,074,952





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Notes To The Financial Statements (Continued)

11. Bank and Cash Balances

Description	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	481,062,447	375,506,505
Cash in hand	1,318,516	887,257
Total	482,380,963	376,393,762

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





Notes To The Financial Statements (Continued)

Detailed analysis of the cash and cash equivalents

Description		2021/2022	2020/2021
Financial institution	Account number	Kshs	Kshs
a) Current Account			
Kenya Commercial Bank			
KES	1280647663	6,041,321	764,284
EURO	128418998	35,449	9,060,797
USD	1282418726	107,380	-
Cooperative Bank of Kenya			
KES	01141447633500	308,709,143	231,289,916
EURO	22120447633500	156,385	134,388,699
USD	02120447633500	166,012,770	2,809
YUAN	25120447633500	-	-
Sub- Total		481,062,447	375,506,505
b) Cash in hand			
Grand Total		1,318,516	887,257
		482,380,963	376,393,762

12. Trade Receivables

Description	2021/2022	2020/2021
	KShs	KShs
Marine contracts	644,527,114	317,311,876
Performance Bond	158,095,619	-
	802,622,733	317,311,876

The performance bonds relate to signed contracts between Kenya Shipyards Limited, Kenya Railways Corporation and Kenya Ports Authority. The funds will revert back on project completion.



Notes To The Financial Statements (Continued)

13. Ordinary Share Capital

Description	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
7,500,000 Ordinary Shares of Kshs 1000 par value each	7,500,000,000	7,500,000,000
Issued and Fully paid:		
Nil Ordinary Shares of Kshs par value each	-	-

14. Retained Earnings

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

15. Trade and Other Payables

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention/ Contract monies	3,260,020	1,266,997
Total	3,260,020	1,266,997

The retained contract monies pertain to defect liability amounts withheld for civil works done by various suppliers.





Notes to the Financial Statements (Continued)

16. Deferred Income

	2021-2022	2020-2021
	KShs	KShs
Opening Balance	500,668,224	0.00
Additions for the year (Note 8B)	792,534,447	500,668,224
Balance at Period End	1,293,202,670	500,668,224

17. Related Party Disclosures

Government of Kenya

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

Other related parties include:

- i) The National Treasury
- ii) The Ministry of Defense
- iii) Other Ministries, Departments and Agencies
- iv) Other State Corporations
- v) County Governments

Transactions with related parties

Description	2021/2022	2020/2021
	Kshs	Kshs
a) Sales to related parties		
Supply of maritime products and services to MDAs	3,830,229,031	1,086,711,112
Total	3,830,229,031	1,086,711,112



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Description	2021/2022	2020/2021
	Kshs	Kshs
b) Purchases from related parties		
Purchases of electricity from KPLC	5,344,343	12,185,711
Purchase of water from govt service providers	787,869	102,970
Bank charges paid to govt commercial banks	599,384	30,440
Total	6,731,596	12,319,121
c) Grants from the government		
Recurrent Grants from national govt	-	1,800,000,000
Grants for construction of Wagon Ferry	1,000,000,000	769,399,237
Grant for Kisumu yard upgrade	2,000,000,000	-
Total	3,000,000,000	2,569,399,237
Total	3,006,731,596	2,581,718,358



Notes To The Financial Statements (Continued)

18. Financial Risk Management

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

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

(i) Credit risk

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

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

ii) Liquidity risk management

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



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The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.



Notes to The Financial Statements (Continued)

(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 Committee.

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

a) Foreign currency risk

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

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

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



Notes To The Financial Statements (Continued)

1) Management of interest rate risk

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

Capital Risk Management

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

Description	2021/2022	2020/2021
	Kshs	Kshs
Capital Fund	1,997,345,191	1,142,963,651
Retained earnings	(11,458,994)	191,770,418
Total Funds	1,985,886,197	1,334,734,068



Notes To The Financial Statements (Continued)

19. Incorporation

Kenya Shipyards Limited is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

20. Events after the Reporting Period

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

21. Currency

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



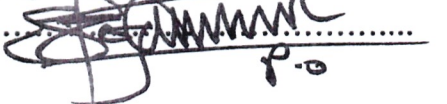
XIX. Appendices

Appendix 1: Implementation Status Of Auditor-General prior year recommendations

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status	Timeframe
1	<p>Lack of an Internal Audit Function Although the company has an Audit committee, it did not have an Internal Audit Function. This is contrary to Section 73(1)(a) of the Public Finance Management Act 2012 which requires every National Government entity to have appropriate arrangements in place for conducting internal audit. Lack of Internal Audit Function may lead to weak internal controls resulting in fraud or loss of funds.</p>	<p>The organizational structure and HR Documents were approved by SCAC on 22 October 2021. The company is yet to hire professionals to fill all positions in the approved structure that includes Internal Audit.</p>	Not Resolved	31 st Dec 2022
2	<p>Lack of Strategic Plan The company did not have a Strategic Plan. This is contrary to Section 68(2)(g) of the Public Finance Management Act 2012 which requires an Accounting Officer to prepare a Strategic Plan for the entity in conformity with the medium-term fiscal framework and fiscal policy objectives of the national government.</p>	<p>The company has developed a strategic plan for presentation to the board for approval.</p>	Not Resolved	31 st Dec 2022

Brig Paul O Otieno

Managing Director

Sign.....

P.O

Date 29 September 2022



Appendix II: Transfers from Other Government Entities

Name of the MDA	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - Kshs	Statement of Financial Performance	Where Recorded/Recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivable	Other	
Ministry of Defence	11-08-2021	Development	1,000,000,000	120,938,586	879,061,414	-	-	-	1,000,000,000
Ministry of Defence	20-12-2021	Development	500,000,100	500,000,100	-	-	-	-	500,000,100
Ministry of Defence	30-12-2021	Development	499,999,900	499,999,900	-	-	-	-	499,999,900
Ministry of Defence	22-04-2022	Development	500,000,010	500,000,010	-	-	-	-	500,000,010
Ministry of Defence	05-05-2022	Development	499,999,990	499,999,990	-	-	-	-	499,999,990
Total			3,000,000,000	2,120,938,586	879,061,414	-	-	-	3,000,000,000

