

REPUBLIC OF KENYA



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THE AUDITOR-GENERAL

ON

KENYA SHIPYARDS LIMITED

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



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KENYA SHIPYARDS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Prepared in accordance with the IFRS Accounting Standards

KENYA SHIPYARDS LIMITED

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

Table of Contents	Page
1. Acronyms and Definition of Key Terms	ii
2. Key Entity Information	iv
3. The Board of Directors	vi
4. Key Management Team	xi
5. Fiduciary Management	xii
6. Fiduciary Oversight Arrangements.....	xii
7. Chairman’s Statement.....	xiv
8. Report of the MD	xv
9. Statement of Performance against Predetermined Objectives for FY 2024/25	xvi
10. Corporate Governance Statement	xviii
11. Management Discussion and Analysis	xxii
12. Environmental and Sustainability Reporting	xxviii
13. Report of the Directors.....	xxxii
14. Statement of Directors’ Responsibilities	xxxiii
15. Report of the Auditor General on the financial statements for Kenya Shipyards Ltd for the year ended 30 th June 2025.....	xxxiv
16. Statement of Profit/Loss & Other Comprehensive Income for the Year Ended 30 th June 2025.....	1
17. Statement of Financial Position as at 30 th June 2025.....	2
18. Statement of Changes in Equity for the year ended 30 th June 2025	4
19. Statement of Cash Flows for the year ended 30 th June 2025	5
20. Statement of Comparison of Budget & Actual amounts for the period ended 30 th June 2025.....	6
21. Notes to the Financial Statement	8
22. Appendices.....	35

KENYA SHIPYARDS LIMITED

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

1. Acronyms and Definition of Key Terms

A. Acronyms

CEO	<i>Chief Executive Officer</i>
DG	<i>Director General</i>
IAS	<i>International Accounting Standards</i>
IASB	<i>International Accounting Standards Board</i>
IFRS	<i>International Financial Reporting Standards</i>
ICS	<i>Institute of Certified Secretaries</i>
MD	<i>Managing Director</i>
NT	<i>National Treasury</i>
PFMA	<i>Public Finance Management Act.</i>
PSASB	<i>Public Sector Accounting Standards Board</i>
KSL	<i>Kenya Shipyards Limited</i>
KRC	<i>Kenya Railways Corporation</i>
KDF	<i>Kenya Defence Forces</i>
KAF	<i>Kenya Air Force+</i>
KA	<i>Kenya Army</i>
KN	<i>Kenya Navy</i>
DNSI	<i>Defence National Security Industries</i>
AGPO	<i>Access to Government Procurement Opportunities</i>
MDA	<i>Ministries, Department and Agencies</i>
IOD	<i>Institute of Directors of Kenya</i>
WOBN	<i>Women on Boards Network</i>
UNIDO	<i>United Nations Industrial Development Organization</i>
CIPS	<i>Chartered Institute of Procurement & Supply</i>
MOU	<i>Memorandum of Understanding</i>
OEMS	<i>Original Equipment Manufacturer</i>
PPDA	<i>Public Procurement and Asset Disposal Act</i>
FVTOCL	<i>Fair Value Through Other Comprehensive Income</i>
FVTPL	<i>Fair Value Through Profit or Loss</i>
UNAMID	<i>United Nations and African Mission in Darfur</i>
CPS	<i>Certified Public Secretary</i>

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

KENYA SHIPYARDS LIMITED

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

2. Key Entity Information

a) Background information

Kenya Shipyards Limited was established by Executive Order CAB/GEN.3/1/1 (60) dated 14 August 2020, under the auspices of the National Security Council, and was formally incorporated on 29 September 2020 with the National Treasury-Kenya as the sole shareholder. At the Cabinet level, KSL is represented by the Cabinet Secretary for Defence who is responsible for general policy direction and strategic oversight of Kenya Shipyards Limited.

The entity is domiciled in Kenya, with its head office in Nairobi. KSL operates fully equipped shipyards in Mombasa and in Kisumu while maintaining administrative offices in Nairobi.

The legal framework under which KSL was established is defined by Executive Order CAB/GEN.3/1/1 (60), which authorizes KSL to provide shipbuilding, maintenance, repair, refitting, and other maritime services to the Kenya Navy, other MDAs, private and regional clients, with strategic emphasis on fostering technology transfer, job creation, economic growth, and the development of Kenya's Blue Economy.

b) Principal Activities

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

- i) Design and construction of new marine vessels and marine vessel components.
- ii) Ship Repair and Maintenance.
- iii) Ship refit and conversion.
- iv) Other maritime services.

c) Directors

The Directors who served Kenya Shipyards Limited during the year ended 30th June 2025 were as follows:

S/No	Director	Position	Date
1.	General Charles Kahiriri (CDF)	Chairman	Appointed on 02 May 24
2.	Dr Patrick Mariru (PS Defence)	Director	Appointed on 01 Dec 22
3.	Lt Gen D K C Tarus (Comd KA)	Director	Appointed on 08 Mar 24
4.	Lt Gen John M Omenda (VCDF)	Director	Appointed on 02 May 24
5.	Maj Gen Fatuma G Ahmed (Comd KAF)	Director	Appointed on 02 May 24
6.	Maj Gen Paul O Otieno (Comd KN)	Director	Appointed on 02 May 24
7.	Dr Chris Kiptoo (PS National Treasury)	Director	Appointed on 01 Dec 22
8.	Mr. Geoffrey E. Kaituko (PS Shipping and Maritime Affairs)	Director	Appointed 3 Oct 23
9.	Dr. Juma Mukhwana (PS Industry)	Director	Appointed on 01 Dec 22
10.	Ms. Maryanne Karanja	Director	Appointed on 01 Oct 21
11.	Ms. Monique Mukayagi	Director	Appointed on 01 Oct 21

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

12.	Ms. Reshma Shah	Director	Appointed on 01 Oct 21
13.	Maj Gen S M Farah 'rcds' (UK) 'psc' (K)	Director	Appointed on 02 May 24
14.	Brig Daniel O Odeny (CLO DNSI)	Company Secretary	Appointed on 24 Jan 24

d) Addresses

<p>Company Secretary Brig D O Odeny Certified Public Secretary (P/CPSB/1606 P.O. Box 9706 – 00200 Nairobi, Kenya</p> <p>Registered Office Kenya Shipyards Limited P.O. Box 9706 – 00200 Nairobi, Kenya</p>	<p>Principal Legal Advisors</p> <ol style="list-style-type: none"> The Attorney General State Law Office Harambee Avenue P.O. Box 40112-00200 Nairobi, Kenya Brig D O Odeny CLO – DNSI Ministry of Defence Ulinzi House P.O. Box 40668-00100 Nairobi, Kenya
<p>Corporate Contacts Telephone: 0700 278 278</p> <p>E-mail: info@kenyashipyards.co.ke</p>	<p>Independent Auditors Auditor General The Office of the Auditor General Anniversary Towers, University Way P.O Box 30084-00100 Nairobi, Kenya</p>
<p>Corporate Bankers</p> <ol style="list-style-type: none"> Cooperative Bank of Kenya Nkrumah Road P.O. Box 87771- 80100 Mombasa, Kenya Kenya Commercial Bank of Kenya Treasury Square P.O. Box 90254- 80100 Mombasa, Kenya 	<ol style="list-style-type: none"> National Bank of Kenya Harambee Avenue P.O. BOX 72866-00200 Nairobi, Kenya Equity Bank Community Supreme Centre P.O Box 75104-00200 Nairobi, Kenya

3. The Board of Directors



Gen Charles Kahariri EGH CBS 'nwc' (USA) 'psc' (K)

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



Dr Patrick Mariru

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



Lt Gen David K C Tarus MGH CBS 'ndc' (K) 'cgsc' (USA) 'psc' (K)

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



Lt Gen J M Omenda EBS SS OGW ‘rcds’ (UK) ‘psc’ (K)

Lt Gen J M Omenda is Vice Chief of the Defence Forces. 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 Paul O Otieno EBS ‘ndc’ (K) ‘psc’ (K)

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



Maj Gen Fatuma G Ahmed CBS OGW ‘ndc’ (K) ‘psc’ (K)

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

KENYA SHIPYARDS LIMITED

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



Dr Chris Kiptoo CBS

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



Dr Juma Mukhwana HSC

Dr. J Mukhwana is the Principal Secretary in the State Department of Industry. He holds a PhD in soil science, a master's degree in pharmacology & toxicology and a bachelor's degree in veterinary medicine. He has worked in the public and private sectors for over 20 years and has been instrumental in developing and implementing policies to support local manufacturing. He represents the country in the United Nations Industrial Development Organization (UNIDO). Dr. Mukhwana is an accomplished leader, passionate speaker and powerful change agent.



Ms Reshma Shah

Ms R Shah is a tax and business development expert. She is a qualified chartered accountant with over 20 years multidisciplinary international and local experience in areas including business strategy and performance, risk and change management, tax and sustainability. She is currently the group director -sustainability at Equity Group Holdings.



Ms Monique Mukayagi

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



Ms Maryanne Karanja

Ms M 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, 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).



Maj Gen S M Farah CBS 'rcds' (UK) 'psc' (K)

Maj Gen S M Farah is the Managing Director, KSL. Prior to his current appointment, he was the Vice Chancellor at the National Defence University - Kenya. He holds a Diploma in Security Management, Bachelor of Science in Security Management (Egerton University) Master of Arts in International Security and Strategy (Kings College) and Diploma in Human Resource Management from Cambridge Academy.

KENYA SHIPYARDS LIMITED

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




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

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

4. Key Management Team

SN	Management	Details
i.		Maj Gen S M Farah Managing Director/Chief Executive Officer
ii.		Brig D O Odeny Company Secretary
iii.		CPA Douglas Isaboke Nyangaresi General Manager Internal Audit
iv.		The Late CPA Julius Amba General Manager Finance, Accounts & ICT
v.		Maj (Rtd) Solomon Obange General Manager, Corporate Services

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

vi.		Ms. Mercy Marindich (MCIPS. MKISM) General Manager, Supply Chain Management
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5. Fiduciary Management

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

No.	Designation	Name
1.	Managing Director/CEO	Maj Gen S M Farah
2.	Company Secretary	Brig D O Odeny
3.	General Manager Finance, Accounts and ICT	The Late CPA Julius Amba
4.	General Manager Supply Chain Management	Ms. Mercy Merindich
5.	General Manager Internal Audit	CPA Douglas Nyangaresi

6. Fiduciary Oversight Arrangements

The Company has established the following mechanisms to provide fiduciary oversight over its operations and management of financial resources:

a. Board. The Board of Directors provides strategic direction over the affairs of the company and undertakes oversight on the operations and business of the Company. The Board has established four committees to support the discharge of its functions:

(1) **Audit and Risk Committee.** Responsible for overseeing compliance and risk management. It also receives and considers the reports of the external and Internal Auditor and ensures management compliance with audit observations.

(2) **Finance and Strategy Committee.** The Committee is responsible for oversight of management of financial resources and considers financial statements prior to Board approval.

(3) **Human Resource Committee.** The Human resource Committee oversees human resource functions within the Company on behalf of the Board.

(4) Operations Committee. The Operations Committee oversees the operations and projects undertaken by the Company on behalf of the Board. It oversees core mandate delivery on behalf of the Board.

b. Internal and External Audit. The Board of Directors has recruited an internal auditor who undertakes regular audit into the affairs of the Company in accordance with the approved workplan. External Audit is undertaken by the Office of the Auditor General in accordance with Article 229 of the Constitution of Kenya 2010.

c. Parliamentary Oversight. The Company is subject to oversight by the National Assembly through the Defence Intelligence and Foreign Relations Committee and the Public Investments Committee.

7. Chairman's Statement



On behalf of the Board of Directors, I am pleased to present the Financial Statements for the year ended 30th June 2025. The financial year under review was characterized by both opportunities and challenges in our operating environment. Despite a dynamic economic landscape marked by inflationary pressures, exchange rate volatility, and shifts in global supply chains, our organization remained resilient and delivered steady progress towards its strategic objectives.

During the year, the Company strengthened its financial position, recording growth in non-current assets mainly driven by continued investment in property, plant, and equipment to support long-term service delivery. This is aligned with our strategic goal of expanding capacity and enhancing efficiency in line with the government's infrastructure development agenda.

Our revenue performance demonstrated the underlying strength of our operations, though we remained mindful of cost pressures and the need for prudent resource management. The Board is encouraged by the disciplined approach taken by management in implementing cost containment measures and ensuring that resources are directed towards high-impact projects.

The Board of Directors acknowledges and appreciates the goodwill and support that the National Government and its Agencies continue to give to the Kenya Shipyards Limited. The Board is committed to ensuring that the Company delivers on its contractual responsibilities while also supporting the realization of the Bottom-up Economic Transformation Agenda.

Governance and accountability remain at the heart of our mandate. The Board continued to provide strategic oversight while ensuring compliance with all regulatory and statutory obligations. In line with our corporate governance framework, we upheld transparency and stakeholder engagement, which remain critical in sustaining public trust and investor confidence.

In closing, I extend my appreciation to the Board of Directors and management for their dedication and resilience to deliver on KSL mandate. I wish to also recognize KSL staff for unreservedly being committed to the activities of KSL and dedicating their time to this call of duty, their individual and collective sacrifices have gone a long way in facilitating the achievements KSL is proud of in this Financial Year.

A handwritten signature in black ink, appearing to be 'C M Kahariji', written over a horizontal dotted line.

**Gen C M Kahariji EGH CBS 'nwc' (USA) 'psc' (K)
Chairman, Board of Directors KSL**

8. Report of the MD



It gives me great pleasure to present to you the Kenya Shipyards Limited Annual Report and Financial Statements for the Financial Year ended 30 June 2025.

The Management with the approval and guidance of the Board of Directors continue to operationalize the Company. The recruitment and onboarding of the General Managers Finance, Accounts and ICT, Internal Audit, Supply Chain Management infuses critical expertise to the management while also strengthening internal controls.

The establishment of the Special Projects Office by the Board of Directors provides the Company with an opportunity to onboard specialised expertise in ship building, repair and maintenance and business development and thus drive business growth.

In financial year 2024/2025, the Company has been able to complete maritime civil and modular works in Homa Bay County by constructing a promenade and landing sites within time and on budget. The Management will continue to collaborate with Lake Victoria riparian counties to develop the business stream while also unlocking the huge potential of Lake Victoria to support the realization of the Bottom-up Economic Transformation Agenda.

The Company continues to receive interest from the private sector to undertake ship building, repairs and maintenance. The Management will continue to develop these business pipelines with a view to diversify KSL customer base to augment the existing customers within the public sector.

Critical to business development, the Company is at an advanced stage in the development and approval of the strategic plan. The Strategic plan will provide a roadmap for further operationalization of the Company and business development. We look forward to its final approval by the Board of Directors for implementation.

I would like to express my gratitude to the Board of Directors for their unwavering guidance and oversight, and to our staff for their dedication and commitment. I also acknowledge the support of our stakeholders, partners, and the Government of Kenya, who continue to play a critical role in our success.

Finally, I extend my sincere gratitude to the dedicated KSL staff for their support and effort in achieving the goals and objectives of KSL.

A handwritten signature in blue ink, appearing to read 'S M Farah', written over a dotted line.

**Maj Gen S M Farah CBS 'rcds' (UK) 'psc' (K)
Managing Director, KSL**

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

KSL has four strategic objectives within its work plan for FY 2024/2025. These objectives are follows:

- a. National Security: To support national security and defence capabilities
- b. Stakeholders Engagement: To foster inclusivity and achieve sustainable and socially reasonable outcomes.
- c. Capacity building: To support development and capacity building
- d. Partnerships: To foster strategic partnerships



Assessment of KPA Homabay Pier Phase I



Training of new staff on rebuilding of engines at KRC



Kano Irrigation Scheme

KENYA SHIPYARDS LIMITED

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

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
National Security	To support National Security and defence capabilities	a) Number of repairs and maintenance delivered upon/supplied	a) Repair and maintenance of marine vessels	Repaired and supplied marine products to various MDAs Including those mandated to marine security
Stakeholder Engagement	To foster inclusivity and achieve sustainable and socially responsible outcomes	a) Number of sensitizations	a) Sensitize stakeholders on mandate of KSL.	a) Conduct familiarization tours and briefs to various groups
		b) Number of surveys	b) Conduct surveys on client needs	b) Conduct surveys on various marine vessels for MDAs.
Partnerships	To foster strategic partnerships	a) Framework agreements and MOUs		
		b) Number of collaborations	a) Sign Framework agreements and MOUs	a) Framework agreements and MOU signed between KSL and other clients/Partners
			b) Partner with Shipbuilding entities.	b) Partnered with Shipbuilding companies such as Bogazici, SECO, Karnafully, etc.

KENYA SHIPYARDS LIMITED

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

Capacity Building	To support talent development and capacity building	a) Number of conferences held	a) Attend conference on marine affairs	a) Hosted EAC defence industries expo in Kisumu
		b) Number of Interns engaged	b) Engage interns on industrial attachment for three months.	b) Participated in Kenya International Investment Conference.
				c) Engaged several students from different Institutions for industrial attachment.

10. Corporate Governance Statement

The Kenya Shipyards Limited being a state corporation is subject to the principles of good governance for in Chapter 6 - Leadership and Integrity in the Constitution of Kenya 2010. In the discharge of their functions, the Board of Directors is bound by the applicable national legislation such as the Public Finance management Act, 2012, Mwongozo, Board of Directors code of conduct, international standards and principles that are essential for good corporate governance practices. The Board of Directors is responsible for the strategic direction and oversight of the company and is committed to ensuring that its business operations are conducted with integrity and in compliance with the law, internationally accepted principles and business ethics.

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; Legal and Ethical 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 KSL’s client expectations.

Appointment and removal of Board of Directors

The Memorandum and Articles of Association of the company state that the provisions of the State Corporations Act shall govern the appointment and removal of the Board of Directors. The constitution of the Board of Directors is provided for under section 3 of the Articles of Association. The Principal Secretaries who are Board Members are permitted to appoint alternate directors.

KENYA SHIPYARDS LIMITED

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

Board Composition and Diversity

The Board has Fourteen (14) members including the managing director, the company secretary and three (3) independent directors. 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, human resource, economics and strategic management.

In accordance with Section 18 (2) (c) of the State Corporation Act, the Inspector General (Corporations) has the power to attend meetings of any state corporation including the meetings of the Board and its Committees.

Board Changes

The following Board members ceased to be board members following their retirement from the military or ceasing to hold the qualifying offices:

	Director	Position	Date
1.	Lt Gen D K C Tarus (Comd KA)	Director	Left on 02 Jun 25
2.	Maj Gen Fatuma G Ahmed (Comd KAF)	Director	Left on 02 June 25
3.	Ms Reshma Shah	Director	Left on 02 June 25
4.	Ms Monique Mukayagi	Director	Left on 02 June 25

The following members joined the Board of Directors following their appointment to office in the military and public service respectively:

	Director	Position	Date
1	Lt Gen Keter	Director	Appointed on 02 Jun 25
2	Maj Gen B Waliaula	Director	Appointed on 02 Jun 25
3	Hon. Millicent Omanga	Director	Appointed on 01 Jan 25
4	Mr Mwachia	Director	Appointed on 02 Jun 25

Ethics and Conduct

Kenya Shipyards Limited continues to comply with ethical standards and principles of good governance as stipulated in the Constitution of Kenya 2010, Leadership and Integrity Act, 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 directors are aware that all their business transactions or those of their related parties are carried out at arms' length and are to be disclosed to avoid any conflict of

KENYA SHIPYARDS LIMITED

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

interest. Where a conflict of interest is declared, a director is required to exclude himself/herself from any discussion or decision over the subject matter. The Board wishes to report that there were no insider dealings for the year ended 30 June 2025 and no conflict of interest was declared by the Directors.

Board Remuneration

The Directors' remuneration rates are governed by the Circulars issued by the Salaries and Remuneration Commission. KSL does not grant personal loans or guarantees to its directors.

Succession Plan

In cognizance to board succession planning policy, the board appointments are undertaken on a staggering basis to allow for continuity. The board members other than independent directors appointed by the Cabinet Secretary responsible for defence, are directors after their appointment to their respective designation and offices. The independent directors appointed by the Cabinet Secretary for Defence assume office upon Gazettement.

Board Charter

KSL Board Charter is inspired by the dictates of good corporate governance and acts as reference guide for the Directors in stipulating their individual and collective responsibilities, powers, duties, obligations and liabilities. The Charter is drawn from the Mwongozo Code of Conduct and best corporate governance practices. It sets out the roles and responsibilities of Directors with respect to its strategic, oversight role, stewardship and fiduciary responsibilities. The Board Charter provides policy direction on issues of accountability, transparency, value addition, legitimacy, overall credibility and business operations of the Company.

Induction and Training

KSL conducts induction and training programs to new board members of the Board to appraise them on operations and related governance matters 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 and necessary exposure required for executing the company's mandate.

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

Board Committees

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:

	Committee	Members
1.	Finance and Strategy	1. Independent Director (Maryanne karanja) – Chair 2. PS Defence 3. Comd KN 4. PS National Treasury
2.	Human Resource	1. Independent Director (Monique Mukayagi) – Chair 2. Comd KAF 3. PS Industrialization 4. PS Shipping and Maritime Affairs
3.	Audit	1. Independent director (Ms. Reshma Shah) - Chair 2. Comd KA 3. PS Defence 4. PS National Treasury 5. PS Industry
4.	Operations	1. DG DNSI – Chair 2. Independent Director (Monique Mukayagi) 3. Independent Director (Maryanne Karanja) 4. PS Shipping and Maritime Affairs

Board attendance

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 four (4) times and below is an extract for attendance of the board meeting:

S/No	Members	Designation	Attendance	%
1.	Gen C M Kahariri	Chairman	3/4	75%
2.	Lt Gen (Rtd) Jonah Mwangi	Former VCDF	1/4	25%
3.	Lt Gen (Rtd) P M Njiru	Former Comd KA	3/4	75%
4.	Lt Gen J M Omenda	VCDF	4/4/	100%
5.	Lt Gen J L Mutai	VC NDU-K	3/4	
6.	Lt Gen D C K Tarus	Comd KA	1/4	25%
7.	Maj Gen F G Ahmed	Comd KAF	1/4	50%
8.	Maj Gen P O Otieno	Comd KN	4/4	100%

KENYA SHIPYARDS LIMITED

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

9.	Dr Chris Kiptoo Alternate Dir: Mr Humphrey Muhu	PS NT	3/4	75%
10.	Dr. Geoffrey Kaituko Alternate Dir: Mr Gideon Mwangi	PS Shipping and Maritime affairs	4/4	100%
11.	Dr. Patrick Mariru	PS Defence	4/4	100%
12.	Dr Juma Mukhwana Alt. Ernest Lukayu	PS Industry	4/4	100%
13.	Ms Reshma Shah	Independent Director	2/4	50%
14.	Ms Maryanne Karanja	Independent Director	3/4	75%
15.	Ms Monique Mukayagi	Independent Director	4/4	100%
16.	Maj Gen S M Farah	Managing Director	4/4	100%
17.	Brig D O Odeny	Corporation Secretary	4/4	100%

11. Management Discussion and Analysis

KSL stepped up revenue realization in FY24/25 to consolidate growth over the past 4 years. On a positive note, the company delivered positive revenue growth for three consecutive years and surplus profit for two consecutive years. Profit margin remains low when compared to other similar operations in Kenya due to high-cost of imports for shipbuilding packages driven by devaluation of Kenya shillings against hard currencies (USD, Euros), unfavourable commercial terms from OEMs because of our low volumes of business and margin sharing agreement with technical partners (Karnafully, SMH, Bogazici etc.)

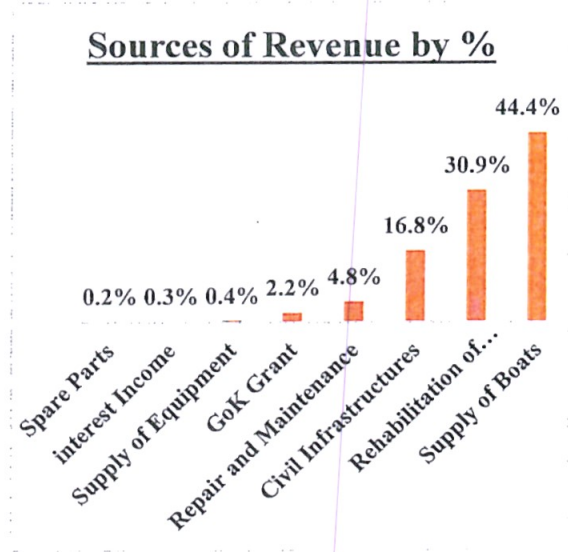
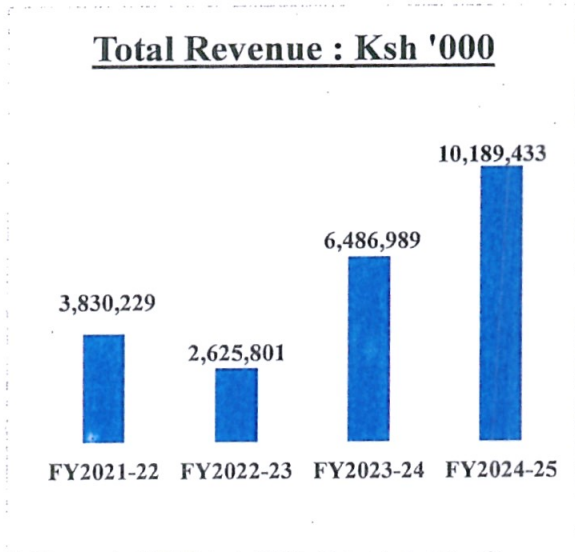
Administrative Expenses rose from Kshs 342 million in FY 2023/24 to Kshs 702 million in FY 2024/25 (a 105% increase) mainly driven by Introduction of comprehensive medical insurance cover for staff, which was not in place in the prior year and Higher reliance on outsourced technical and support services (contracted services) to meet operational and project needs. While this increase put pressure on the surplus, it also reflects investment in employee welfare and professional service quality, aligning with long-term capacity building.

Comparatively to budget estimates, the administrative cost closed below budget by 30% demonstrating prudent cost management, ensuring that strategic staff welfare programs are introduced sustainably without exceeding budget provisions.

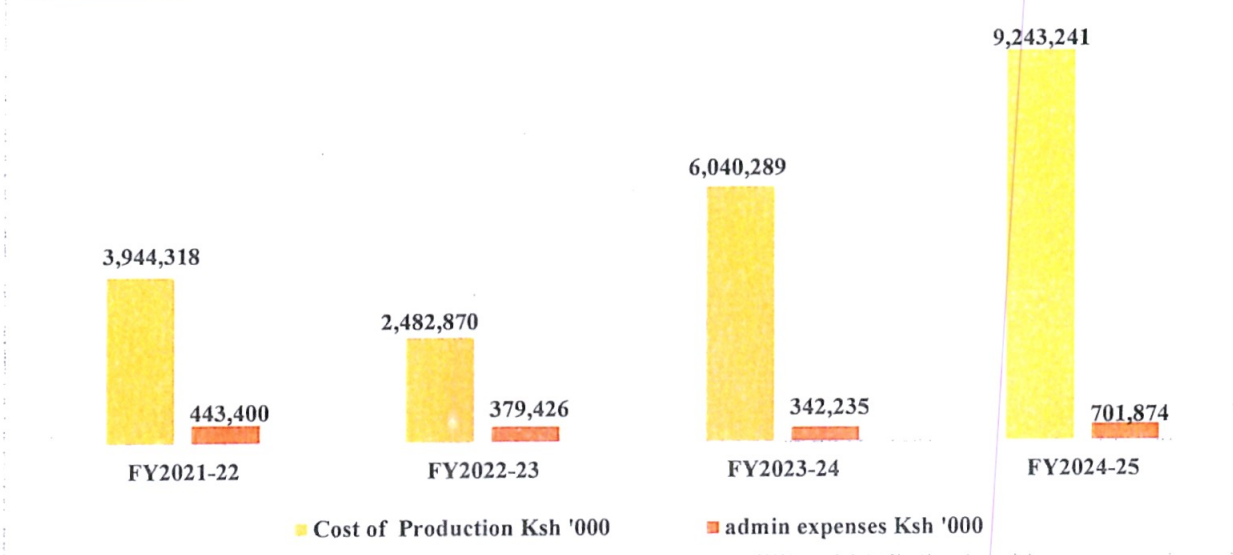
The entity closed the year with net assets of Kshs 6.01 billion, representing a significant growth of 66% from Kshs 3.61 billion in FY 2023/24 comprising of buildings, motor vehicles, ICT equipment, receivables and cash at bank. Cash and Bank Balances remained relatively stable at Kshs 487 million compared to Kshs 472 million in the previous year indicating stable cash holding despite the significant growth in operations. Work-in-progress reduced due to asset capitalization upon completion of Kisumu Yard upgrade.

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

a) Revenue.

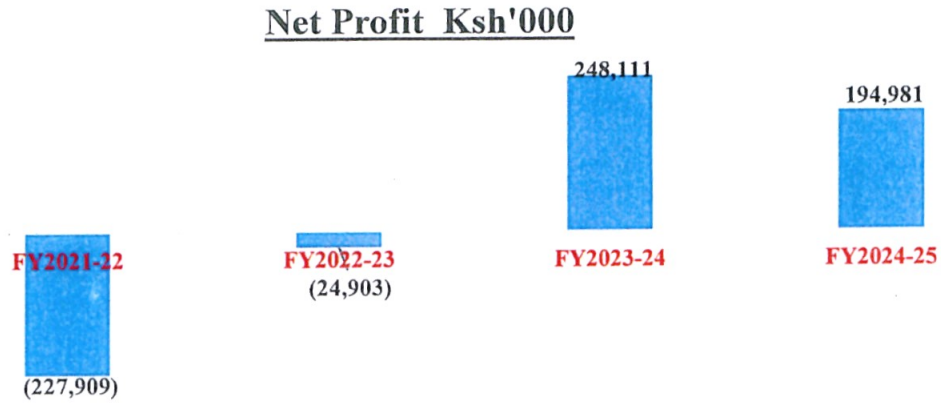


b) Cost of Production and Admin Expense.

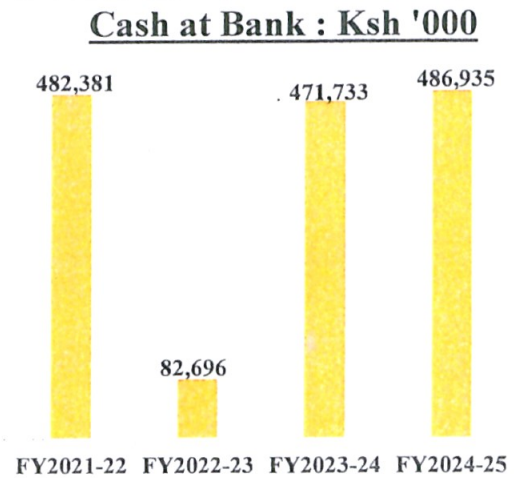
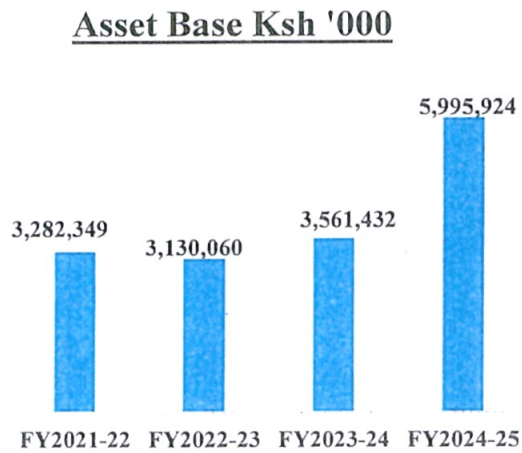


KENYA SHIPYARDS LIMITED
Annual Report and Financial Statements for the year ended June 30, 2025

c) Net Profit.



d) Assets and Working Capital.



e). Key Projects

During the financial year 2024/2025, KSL undertook the following strategic projects assigned by the National Government, County Government and other MDAs:

i) Rehabilitation of Locomotives



4 X Class 93 rehabilitated



3X Class 92 Locos remanufactured



9316 & 9303 rehabilitated



4 X Locomotives Class 93 rebuilding of engines

ii) Supply of New Marine Vessels



KMB 09 Commissioned and handed over to KPA



Pilot Boat Kiboma completed and commissioned

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



Multi-Purpose Boat delivered and operational (KPA)



KPA Pollution boat Manda

iii) Repair and Maintenance of marine vessels



KRC MV Uhuru IMRO



KPA Pilot Boat Tangulizi MRO

KENYA SHIPYARDS LIMITED

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



Dry docking services for Azam Kilimanjaro IV



Kenya Navy Tug Imara MRO

iv) Civil and Modular Infrastructure.



Kisumu County Landing sites (Kichinjio & Nanga)



Homa Bay Pier



KMA Maritime Rescue centre



National Irrigation Authority: Kano Irrigation Pumps

12. Environmental and Sustainability Reporting

KSL sustainability agenda focuses on meeting the need of the present without compromising the ability of future generations to meet their needs. The Sustainability Report for FY 2024/2025 is organized to reflect the environmental, social and governance standards achieved and to show where sustainability efforts are focused in terms of priority. KSL is committed to safeguard customers, the environment and catalyse shipbuilding industry for a sustainable future. Below is an outline of KSL's procedures and activities that promote sustainability:

i) Sustainability strategy and profile

KSL continues to ensure sustainability by aligning its processes to international standards as well as constantly engaging its stakeholders. During the reporting period, KSL maintained proactive and consistent engagement with its stakeholders who included employees, the community, clients, partners and its shareholders. The engagements were in relation to various aspects of business operations ranging from resource mobilization, education, research and development, bolstering partnerships, identification of client needs, emerging technology, environmental sustainability, health and safety.

ii) Environmental performance

KSL's environmental sustainability plan is anchored on environmental laws, regulations, standards and best practices. KSL activities observe the broad, over-arching safety, environmental and security standards as stipulated in the international maritime laws. The Company ensures compliance with all relevant national and international environmental and other statutory regulatory provisions that apply to its projects to ensure sound environmental management practice. The Company is guided by the following environmental and social management laws and regulations in execution of its projects: The Environmental Management and Coordination Act, Occupational Safety and Health Act, Wildlife Management and Conservation Act, Forest Act, Public Health Act and Water Act.

iii) Employee welfare

Give KSL implements human resource policies that guide on management of human capital in compliance with the Constitution of Kenya, labour laws and related regulations. The current work force is drawn from the Kenya Defence Forces and civil service. However, in the year under review, KSL recruited over 1000 employees as contractual employees to offer manpower in execution of its projects. The company has recruited 4 General Managers from the private and public sector. In pursuit to achieving a motivated workforce, KSL conducted the following employee wellness programs:

- (1) **HIV/AIDS Seminar:** In conjunction with KDF Medical branch, KSL conducted a one-day seminar to create awareness and sensitize staff on HIV/AIDS stigma, discrimination towards people living with HIV and prevention measures.
- (2) **Regular barazas:** Regular meetings are held at the yards between the management and staff where pertinent welfare issues are addressed.
- (3) **Health and safety sensitization:** the health and safety department conduct regular sensitization programs to staff on health and safety both at the workplace and at home. The programs include Occupational safety, mental health wellness, stress management, drug and alcohol abuse, first aid and healthy lifestyle.
- (4) **Participation in conferences, seminars and trainings:** during the year under review the members of staff attended both local and international conferences, seminars and trainings aimed at enhancing technical competencies, strategy and policy development.

iv) Market place practices-

KSL has outlined its efforts as below:

a) Responsible competition practice.

KSL is committed to fighting corruption as part of developing in line with the nation's socio-economic development policy, the Ethics and Anti-Corruption Act No. 22 of 2011 and the Leadership and Integrity Act of 2012. In the implementation of corruption risk mitigation plans, KSL considers the context of operation, needs and expectations of interested parties including public officials and competitors. KSL requires customers and suppliers to complete a self-declaration form committing themselves to not engaging in any corrupt or fraudulent practices fulfilling the requirements of PPDA 2015.

b) Responsible supply chain and supplier relations

KSL procurement function is guided by article 227 of The Constitution of Kenya 2010, PPDA Act 2015, PPDA Regulations 2020 and subsequent legal notices. KSL gives priority to special groups to promote their empowerment through Access to Government Procurement Opportunities (AGPO) and 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.

c) Responsible marketing and advertisement.

KSL works towards creating awareness and visibility of its brand, products and services. KSL marketing and advertisements are socially responsible and culturally sensitive to the business fraternity and society. The marketing and advertisement provide

KENYA SHIPYARDS LIMITED

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

stakeholders with information on products and services offered, quality content, current projects, track record and capabilities. In the FY 2024/25 KSL mainly conducted its marketing and advertisement through social media platforms, KSL website, workshops, brochures and show exhibitions.

d) Product stewardship

Outline KSL ensures that its customers have the right to maritime goods and services of reasonable quality. 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.

v) Corporate Social Responsibility

KSL is committed to giving back to the society by creating employment opportunities, promoting common welfare programmes, sponsoring social and charitable causes in community development and exhibiting social concerns.

In the Financial Year under review, KSL offered employment opportunities to locals in the project areas thereby uplifting the standards of life in the communities. The procurement of goods and services was also decentralized to the various yards to offer favourable support of businesses in the project areas. KSL staff participated in the first roan antelope marathon held in Homabay County in promoting the conservation of the rare roan antelope species. As part of customer service week, KSL medical staff mentored community health students at the comprehensive care clinic and provided preventive and curative medical care to the public in Kisumu.

KENYA SHIPYARDS LIMITED

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

13. Report of the Directors

The Directors are pleased to submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of Kenya Shipyards Limited affairs.

i) Principal activities

The principal activities of the Kenya Shipyards Limited are indicated in **page iv**

ii) Results

The results of the KSL for the year ended June 30, 2025, are indicated in **page 1**.

iii) Directors

The members of the Board of Directors who served during the year are indicated in **page vi**.

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

By Order of the Board.



.....
Brigadier Daniel O Odeny
Company Secretary

10th November.....2025

KENYA SHIPYARDS LIMITED

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

14. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

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

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

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

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern, and nothing has come to the attention of the Directors to indicate that the Company 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 June 30, 2025

Approval of the financial statements

The Kenya Shipyards Limited's financial statements for the period ended 30 June 2025 were approved by the Board on^{10th November}.....2025 and signed on its behalf by:



.....
Gen C M Kahariri EGH CBS 'nwc' (USA)
'psc' (K)
Chairperson of the Board/Council



.....
Maj Gen S M Farah CBS 'rcds'
(UK) 'psc' (K)
Accounting Officer

KENYA SHIPYARDS LIMITED

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

15. Report of the Auditor General on the financial statements for Kenya Shipyards Ltd for the year ended 30th June 2025

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Shipyards Limited set out on pages 1 to 35, which comprise of the statement of financial position as at

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Shipyards Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

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 the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

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

Responsibilities of the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


FCPA Nancy Gathanga, CBS
AUDITOR-GENERAL

Nairobi

03 December, 2025

KENYA SHIPYARDS LIMITED**Annual Report and Financial Statements for the year ended June 30, 2025****16. Statement of Profit/Loss & Other Comprehensive Income for the Year Ended 30th June 2025.**

Description	NOTES	FY 2024/25 Kshs'000	FY 2023/24 Kshs'000
Revenues			
Revenue from Contracts		9,942,083	3,886,989
Sale of wagon ferry		-	2,600,000
Total Revenue	6	9,942,083	6,486,989
Cost of Production	7	9,243,241	(6,040,289)
Gross Profit		698,841	446,699
Other Income			
Grants from National Government:			
Recurrent	8(b)	-	99,435
Deferred Income		221,000	
Finance and Other Income	9	26,350	19,005
Forex Gain/(Loss)	10	(49,337)	25,208
Total Other Incomes		198,014	143,647
Administrative Costs	11	701,874	(342,235)
Net Surplus/(Deficit)		194,981	248,111

KENYA SHIPYARDS LIMITED

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

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

Description	NOTES	FY 2024/25 Kshs'000	FY 2023/24 Kshs'000
Assets			
Non-Current Assets			
Property, Plant and Equipment	12	2,309,417	2,043,340
Total Non-Current Assets		2,309,417	2,043,340
Current Assets			
Receivables	13	3,139,860	1,095,719
Cash & Bank Balances	14	486,935	471,733
Prepayments	20	59,712	-
Total Current Assets		3,686,507	1,567,453
Total Assets		5,995,924	3,610,793
Equity and Liabilities			
Capital and Reserves			
Capital Fund	16	2,255,920	1,989,842
Retained Earnings	16	530,290	266,936
Total Capital and Reserves		2,786,210	2,256,778
Current Liabilities			
Payables	17	2,818,186	613,800
Deferred Income	18	181,107	555,450
Tax Payable		210,422	184,764
Total Current Liabilities		3,209,714	1,354,014
Total Equity and Liabilities		5,995,924	3,610,793

KENYA SHIPYARDS LIMITED

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

The financial statements were approved by the Board on 10th November 2025 and signed on its behalf by:



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



.....
Maj Gen S M Farah
Managing Director



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

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

	Ordinary Share Capital	Capital Fund	Retained Earnings	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At July 1,2023	-	2,017,758	(9,090)	2,008,667
Ordinary Share capital	-			-
Grants transferred to Capital fund	-	-		
Profit for the Year	-		248,111	248,111
Transfer of Depreciation from Capital Fund to Retained Earnings	-	(27,916)	27,916	-
At June 30, 2024	-	1,989,842	266,936	2,256,778
At July 1,2024	-	1,989,842	266,936	2,256,778
Ordinary Share capital	-			-
Grants transferred to Capital fund	-	334,450		334,450
Profit for the Year	-		194,981	194,981
Transfer of Depreciation from Capital Fund to Retained Earnings	-	(68,372)	68,372	-
At June 30, 2025	-	2,255,920	530,290	2,786,210

KENYA SHIPYARDS LIMITED**Annual Report and Financial Statements for the year ended June 30, 2025****19. Statement of Cash Flows for the year ended 30th June 2025**

Description	Notes	FY 2024/25 Kshs '000	FY 2023/24 Kshs '000
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	8	100,000	250,000
Rendering of services		7,030,068	5,391,269
Finance income	9	26,350	19,005
Total receipts		7,156,418	5,660,274
Payments			
Employee costs	11	(110,147)	(99,435)
Use of goods and services		(6,696,619)	(5,118,301)
Total payments		(6,806,766)	(5,217,736)
Net cash flows from/(used in) operating activities	19	349,652	442,538
Cash flows from investing activities			
Purchase of PPE		(334,450)	(53,500)
Net cash flows from/(used in) investing activities	12	(334,450)	(53,500)
Cash flows from financing activities			
Return to Exchequer		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows from financing Activities		-	-
Net increase/(decrease) in cash & Cash equivalents		15,202	389,038
Cash and cash equivalents at 1 July 2024	14	471,733	82,695
Cash and cash equivalents at 30 June 2025	14	486,935	471,733

KENYA SHIPYARDS LIMITED
Annual Report and Financial Statements for the year ended June 30, 2025
20. Statement of Comparison of Budget & Actual amounts for the period ended 30th June 2025

Description	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance difference	% of Utilization
Revenue	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	
Total Revenue	4,750,000	-	4,750,000	9,942,083	(5,192,083)	209%
Other Incomes	250,000	-	250,000	247,350	2,650	99%
Total Income	5,000,000	-	5,000,000	10,189,433	(5,189,433)	204%
Expenses						
Cost of Production	4,128,880	-	4,128,880	9,243,241	(5,114,361)	224%
Personnel Emoluments	250,000	-	250,000	110,147	139,853	44%
MOD Seconded Personnel-In Kind	-	-	-	308,497	(308,497)	0%
BOD & Committee expenses	8,680	-	8,680	1,636	7,044	19%
Medical Expenses	2,750	-	2,750	457	2,293	17%
Training	22,000	-	22,000	3,639	18,361	17%
Insurance	20,000	-	20,000	7,081	12,919	35%
Hospitality & Office refreshments	10,000	-	10,000	9,924	76	99%
Petroleum, Oils and Lubricants	9,000	-	9,000	8,996	4	100%
Rent and Rates	22,300	-	22,300	11,232	11,068	50%
Total Repairs and Maintenance	27,000	-	27,000	27,244	(244)	101%

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

Accommodation, Air ticket, Travel & Sub Allowances	46,000	-	46,000	45,974	26	100%
Electricity, Water & Sewerage charges	14,160	-	14,160	11,519	2,641	81%
Advertising and Publicity	8,200	-	8,200	8,016	184	98%
Bank Charges & commissions	1,000	-	1,000	969	31	97%
C.S.R & Other Statutory expense	4,000	-	4,000	2,475	1,525	62%
Cleaning materials & Detergents	4,330	-	4,330	1,940	2,390	45%
Computer Supplies, software and accessories	7,200	-	7,200	2,885	4,315	40%
Telephone, DSTV and Internet	3,060	-	3,060	3,031	29	99%
Office Stationery and Printing	8,007	-	8,007	7,727	280	97%
Uniform and Protective gear	6,275	-	6,275	3,985	2,290	64%
Depreciation	40,000	-	40,000	68,372	(28,372)	171%
Other Sundry expenses	101,272	-	101,272	105,465	(4,193)	104%
Total Expenditure	4,744,114	-	4,744,114	9,994,452	(5,250,338)	211%
Net Surplus/(Deficit)	255,886	-	255,886	194,981	60,905	76%
Capital expenditure	255,886	-	255,886	334,450	(78,564)	131%

21. Notes to the Financial Statement

1. General Information

Kenya Shipyards Limited is established by and derives its authority and accountability from Companies Act, State Corporations Act and Public Finance Management Act of 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 except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The 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*, and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

KENYA SHIPYARDS LIMITED**Annual Report and Financial Statements for the year ended June 30, 2025****3. Application of New and Revised International Financial Reporting Standards (IFRS)****i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.**

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.	1 January 2026

KENYA SHIPYARDS LIMITED**Annual Report and Financial Statements for the year ended June 30, 2025****Application of New and Revised International Financial Reporting Standards (IFRS)****ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.***

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

iii. *Early adoption of standards*

Kenya Shipyards Limited did not early – adopt any new or amended standards in the financial year 2024-2025

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the *entity* 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 *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

KENYA SHIPYARDS LIMITED

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

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Rates
Freehold Land	Nil
Buildings and civil works	2%
Plant and machinery	12.5 Years
Motor vehicles, including motorcycles	20%
Computers and related equipment	25%
Office equipment, furniture and fittings	10%

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

KENYA SHIPYARDS LIMITED

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

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

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

h) Biological Assets

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

i) Right of Use Asset

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

j) Fixed interest investments (bonds)

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

k) Quoted investments

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

l) Unquoted investments

Unquoted investments are measured at fair value through profit or loss (FVTPL).

m) Inventories

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

n) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

o) Taxation

i) Current income tax

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

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

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

ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

KENYA SHIPYARDS LIMITED

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

reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

p) Borrowing costs

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

q) Cash and cash equivalents

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

Restricted cash

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

r) Borrowings

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

s) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized 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.

t) Provision for staff leave pay

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

u) Exchange rate differences

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

v) Budget information

The original budget for FY 24/25 was approved by the National Assembly on June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under note 20 of these financial statements

w) Service concession arrangements

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

x) Comparative figures

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

y) 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, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions are recognized when the company has a present obligation as a result of past events, 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

KENYA SHIPYARDS LIMITED**Annual Report and Financial Statements for the year ended June 30, 2025****6. Revenue from contracts with customers**

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Revenue from Contracts	9,633,586	2,886,989
Sale of wagon ferry	-	2,600,000
MOD: Wagon Ferry Construction	-	1,000,000
Grant-in-Kind – MOD Seconded Personnel	308,496.53	-
Total Revenue	9,942,083	6,486,989

7. Cost of Sales

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Raw Materials	8,670,783	4,727,698
Contractual Employees	200,485	194,632
Utilities	-	9,727
Transport Cost	15,692	200,449
Production Overheads	328,011	904,071
Finance Expenses	28,270	3,713
Total Cost of Sales	9,243,241	6,040,290

8. Grants from National Government

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Grants received	100,000	250,000
In kind contributions/ donations	-	-
Total	100,000	250,000

KENYA SHIPYARDS LIMITED

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

8(b).

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.	FY 2024/25	FY 2023/24
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ministry Of Defence	-	100,000	-	100,000	250,000
Donations From Partners	-	-	-	-	-
Total	-	100,000		100,000	250,000

9. Finance Income

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Interest from commercial banks and financial institutions	26,350	19,005
Total	26,350	19,005

10. Other Gains and Losses

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Foreign exchange gains / (losses)	(49,337)	25,208
Total	(49,337)	25,208

KENYA SHIPYARDS LIMITED

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

11. Administration Costs

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Accommodation,Air tickets,Travel & Sub Allowances	45,974	35,624
Advertising and Publicity	8,016	7,957
Audit Fees	500	500
Bank Charges & commissions	969	914
BOD & Committee expenses	1,636	7,649
C.S.R & Other Statutory expense	2,475	1,500
Cleaning materials & Detergents	1,940	1,124
Computer Supplies Software & accessories	2,885	6,557
Contracted Services	44,482	-
Depreciation	68,372	27,916
Electricity,Water & Sewarage Charges	11,519	10,272
Hospitality & Office ref.	9,924	47,040
Insurance Expense	7,081	883
Licence and Permits	1,751	-
Medical Expenses	457	2,462
Office Stationery and Printing	7,727	6,624
Other Sundry expenses	9,394	6,807
Personnel Emoluments	110,147	99,435
Petroleum, Oils and Lubricants	8,996	21,088
Rent and Rates	11,232	20,896

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

Telephone,DSTV and Internet	3,031	3,602
Total Repairs and Maintenance	27,244	29,947
Training Expenses	3,639	1,778
Uniforms \$ protective gear/clot	3,985	1,661
Salaries–In-Kind (MOD Seconded Personnel)	308,497	-
Total	701,874	342,235

11 (a) Staff Costs

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Salaries and allowances of permanent employees	50,825	31,449
Allowances for seconded civilian & Military employees	59,323	67,986
Temporary and Contracted employees		-
Total	110,147	99,435

12. Property, Plant and Equipment

	Building	Motor vehicles	ICT Equipment	furniture & fittings	Capital work in progress	Total
	2%	20%	25%	10%		
Cost or Valuation	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
As at 1 JULY 2024	319,228	27,778	33,978	74,808	1,667,414	2,123,206
Additions	2,000,000		1,800.46	64	(1,667,414)	334,450
As at 30 JUNE 2025	2,319,228	27,778	35,779	74,872	-	2,457,657
Depreciation						
As at 1 JULY 2024	18,374	14,988	24,342	22,163		79,867
Charge for the period	46,385	5,556	8,945	7,487	-	68,372
As at 30 JUNE 2025	64,759	20,544	33,287	29,650	-	148,239
Net Book Values						
NBV as at 30 JUNE 2025	2,254,469	7,235	2,492	45,222	-	2,309,418
NBV as at 30 JUNE 2024	300,854	12,790	9,636	52,645	1,667,414	2,043,339

Valuation

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

12 (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	Accumulative Depreciation	NBV
	Kshs'000	Kshs'000	Kshs'000
Buildings	2,319,228	64,759	2,254,469
Motor Vehicles, Including Motorcycles	27,778	20,544	7,235
Computers And Related Equipment	35,779	33,287	2,492
Office Equipment, Furniture, And Fittings	74,872	29,650	45,222
	2,457,657	148,239	2,309,417

13. Trade and Other Receivables

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Trade Receivables (Note 13 (a))	3,085,576	1,040,268
Performance Guarantees	54,284	55,451
Total	3,139,860	1,095,719

13 (a) Trade Receivables

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Ageing analysis of gross Trade Receivables		
Less than 30 Days	2,665,846	267,795
Between 31 and 60 Days	19,800	50,955
Between 61 and 90 Days	47,672	151
Between 91 and 120 Days	352,258	221,368
Over 120 Days	-	500,000
Total	3,085,576	1,040,268

14. Bank and Cash Balances

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Cash at bank	486,935	471,733
Cash in hand	-	-
Total	486,935	471,733

The bulk of the cash at Bank was held at Cooperative Bank of Kenya, Equity Bank, Kenya Commercial Bank and National Bank of Kenya. Entity's main bankers.

Detailed analysis of the cash and cash equivalents

Description		FY 2024/25	FY 2023/24
Financial institution	Account number	Kshs'000	Kshs'000
a) Current Account			
Kenya Commercial Bank			
KES	1280647663	53,527	142
EURO	1282418998	33	32
USD	1282418726	239	155
Cooperative Bank of Kenya			
KES	01141447633500	29,997	2,475
EURO	22120447633500	190	31,120
USD	02120447633500	183,809	93,454
YUAN	25120447633500	18	-
National Bank of Kenya			
KES	01071264732500	1,602	7,577
EURO	7716617877	116	139,285
USD	02071264736000	207	8,624
Equity Bank			

KES	0180285232003	113,113	(1)
USD	0180285231988	7	
c) Cash in Hand			-
Sub-Total			282,863
b) On - Call Deposits			
Cooperative Bank of Kenya			
EURO/KSH	22120447633500	104,078	188,870
Grand Total		486,935	471,733

15. Ordinary Share Capital

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Authorized:		
7,500,000 Ordinary shares of Kshs 1,000 per value each.	7,500,000	7,500,000
Issued and Fully Paid:		
Nil Ordinary Shares of Kshs par Value each	-	-

16. Retained Earnings

	Ordinary Share Capital	Capital Fund	Retained Earnings	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At July 1,2023	-	2,017,758	(9,090)	2,008,667
Ordinary Share capital	-			-
Grants transferred to Capital fund	-	-		
Profit for the Year	-		248,111	248,111
Transfer of Depreciation from Capital Fund to Retained Earnings	-	(27,916)	27,916	-
At June 30, 2024	-	1,989,842	266,936	2,256,778
At July 1,2024	-	1,989,842	266,936	2,256,778
Ordinary Share capital	-			-
Grants transferred to Capital fund	-	334,450		334,450
Profit for the Year	-		194,981	194,981
Transfer of Depreciation from Capital Fund to Retained Earnings	-	(68,372)	68,372	-
At June 30, 2025	-	2,255,920	530,290	2,786,210

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

17. Trade and Other Payables

Description	FY 2024/25	FY 2023/24
	Kshs'000	Kshs'000
Trade payables	2,805,131	588,408
Retention/ Contract monies	13,055	25,392
Total	2,818,186	613,800

17.(a). Aging Analysis for Trade and other Payables

	FY 2024/25 Kshs'000	%	FY 2023/24 Kshs'000	%
Under one year	-		613,800	100%
1-2 years	2,818,186	100%	-	
2-3 years	-		-	
Over 3 years	-		-	
Total	2,818,186	100%	613,800	100%

18. Deferred Income

Description	FY 2024/25 Kshs'000	FY 2023/24 Kshs'000
National Government	555,450	904,067
Public Contributions and Donations		
Other	(374,343)	(348,617)
Total	181,107	555,450

18. a) The deferred income movement is as follows:

Description	2024-2025 Kshs'000	2023-2024 Kshs'000
Opening Balance	555,450	904,067
Additions for the year	181,107	150,565
transferred to income statement	(221,000)	-
transferred to capital fund	(334,450)	(53,500)
Other Transfers		(445,682)
Balance at Period End	181,107	555,450

19. Notes to the Statement of Cash Flows

Description	2024-2025	2023-2024
	Kshs'000	Kshs'000
(a) Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations		
Profit or Loss before tax	194,981	248,111
Depreciation	68,372	27,916
Operating Profit/(Loss) before Working Capital changes	263,353	276,026
(Increase)/Decrease in Trade and Other Receivables	(2,044,141)	(66,110)
Increase/(Decrease) in Trade and Other Payables	2,204,386	459,001
Tax Paid	(73,947)	(226,379)
Cash Generated from/(used In) operations	349,652	442,538
(b) Analysis of Cash and Cash equivalents		
Short Term Deposits	104,078	188,870
Cash At Bank	382,857	282,863
Cash In Hand	-	-
Balance At End Of The Year	486,935	471,733

20. Prepayments

Description	2024-2025	2023-2024
	Kshs'000	Kshs'000
Prepaid Income Tax	52,549	-
Prepaid Insurance	7,162	-
Total	59,712	-

21. 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 Ministry of Defence
- ii) Other Ministries, Departments and Agencies
- iii) County Government with Maritime assets
- iv) Key management
- v) Board of directors

Transactions with related parties

Description	2024-2025 Kshs'000	2023-2024 Kshs'000
a) Sales to related parties		
Supply of maritime products and services to MDAs	9,633,586	5,486,989
Interest income from Government commercial Banks	26,350	19,005
Total	9,659,936	5,505,993
b) Purchases from related parties		
Purchases of electricity from KPLC	10,064	20,954
Purchase of water from govt service providers	1,455	2,045
Bank charges paid to govt commercial banks	55,514	4,628
Total	67,033	27,627
c) Grants from the government		
Grants from national government: Recurrent	-	250,000
Grants from national government: Development	100,000	1,000,000
Total	100,000	1,250,000

d) Board of Directors		
Allowance paid to Board members	1,636	-
Total	1,636	-
e) Key Management		
Remuneration of General Managers	22,906	-
Total	22,906	-
f) The National Treasury-Rent Free Space		
	-	-

22. 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 and available-for-sale financial investments.

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

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.

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

b) Interest rate risk

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

i) Management of interest rate risk

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

iv) Capital Risk Management

The objective of 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	2024-2025	2023-2024
	Kshs'000	Kshs'000
Capital Fund	2,255,920	1,989,842
Retained earnings	530,290	266,936
Total Funds	2,786,210	2,256,778

23. Incorporation

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

24. Events after the Reporting Period

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

22. Appendices

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	There were no recommendations issued by the Auditor-General following the audit of the previous financial year. As such, there are no outstanding matters requiring implementation or follow-up.			



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Maj Gen S M Farah

Managing Director, KSL
Date

Appendix II: Transfers From Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development /Others	Total Amount - Kshs'000	Statement of Financial Performance	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Total			100,000	-	100,000	-	-	100,000

