

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA SHIPYARDS LIMITED**

**FOR THE NINE (9) MONTHS**  
**PERIOD ENDED 30 JUNE, 2021**





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**KENYA SHIPYARDS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR NINE MONTHS PERIOD ENDED**

**30 JUNE 2021**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International  
Financial Reporting Standards (IFRS)**



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## **I. Key Kenya Shipyards Limited Information**

### **Background information**

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

### **Vision Statement**

The leading catalyst in development of Shipbuilding Industry in Eastern Africa.

### **Mission Statement**

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

### **Core values**

These are principles and beliefs in Kenya Shipyards Limited that will guide the actions and behaviours of its staff at work, support the vision and shape its culture:

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





## **Mandate**

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

## **Principal Activities**

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

- a. Design and construction of new ships and ship components.
- b. Ship repair and maintenance.
- c. Ship refit and conversion.
- d. Other maritime services

## **Directors**

The Directors who served the Kenya Shipyards Limited during the Financial Year ended 30<sup>th</sup> June 2021 were as follows:

- |     |                            |                           |  |
|-----|----------------------------|---------------------------|--|
| 1.  | Gen. Robert K Kibochi      | - Chairman                | - Appointed on 29 <sup>th</sup> Sep 2020 |
| 2.  | Lt Gen (Rtd) Levi F Mghalu | - Outgoing V/CDF          | - Appointed on 29 <sup>th</sup> Sep 2020 |
| 3.  | Dr Ibrahim M Mohamed       | - PS Defence              | - Appointed on 29 <sup>th</sup> Sep 2020 |
| 4.  | Lt Gen Walter R Koipaton   | - Comd KA                 | - Appointed on 29 <sup>th</sup> Sep 2020 |
| 5.  | Lt Gen Francis O Ogolla    | - V/CDF                   | - Appointed on 29 <sup>th</sup> Sep 2020 |
| 6.  | Maj Gen Jimson L Mutai     | - Comd KN                 | - Appointed on 29 <sup>th</sup> Sep 2020 |
| 7.  | Dr Julius Muia             | - PS National Treasury    | - Appointed on 29 <sup>th</sup> Sep 2020 |
| 8.  | Mrs Nancy Karigithu        | - PS Shipping & Maritime  | - Appointed on 29 <sup>th</sup> Sep 2020 |
| 9.  | Amb. Kirimi Kaberia        | - PS Industrialization    | - Appointed on 29 <sup>th</sup> Sep 2020 |
| 10. | Brig Paul O Otieno         | - Managing Director       | - Appointed on 30 <sup>th</sup> Oct 2020 |
| 11. | Brig Daniel O Odeny        | - Chief of Legal Services | - Appointed on 29 <sup>th</sup> Sep 2020 |



**Corporate Secretary**

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

**Corporate Headquarters**

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

**Corporate Contacts**

Telephone: (254) 769995132, (254) 103552688

E-mail: [info@ksl-mod.go.ke](mailto:info@ksl-mod.go.ke)

**Corporate Bankers**

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

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

**Independent Auditors**

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



**Principal Legal Advisors**

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

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



## II. The Board of Directors

Directors	Details
 <p><b>Gen Robert K. Kibochi EGH CBS ‘ndc’ (K) ‘psc’ (UK) - Chairman</b></p>	<p>He is the Chief of the Kenya Defence Forces and Chairman to Kenya Shipyards Limited Board. General Kibochi holds a Masters Degree of Arts in International Studies, Masters Degree in Computer Based Information Systems, Bachelors of Technology in Communication and Electronics Engineering, and is currently pursuing PhD degree in Peace and Conflict Management.</p>
 <p><b>Lt. Gen Levi F. Mghalu MGH, MBS, ‘ndc’ (K) ‘psn’ (RSA)</b></p>	<p>He is the outgoing Vice Chief of Defence Forces. Lt Gen Mghalu is a graduate of the National Defence College (NDC) Kenya. He undertook Naval Command and Staff Course in South Africa and has held various command and staff appointments within Kenya Navy and Defence Headquarters.</p>
	<p>He is the current Vice Chief of the Defence Forces. He holds a Diploma in International Studies and Military</p>





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

Science from Egerton University, a Bachelor of Arts degree in Political Science, Armed Conflict and Peace Studies and Masters of Arts in International Studies from the University of Nairobi.



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

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







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

He is the Commander Kenya Navy. He is a graduate of National Defence College Kenya and holds Diplomas in International Studies and Strategic Studies. He is Currently undertaking Masters in International Relations and World Order at University of Leicester (UK).



**Dr. Ibrahim Mohamed, CBS**

He is the Principal Secretary, Ministry of Defence. Dr. Ibrahim is a Public Health Physician by profession with over 30 years' experience in the Public Sector. He holds a Bachelor of Medicine and Surgery Degree, and a Master's Degree in Public Health from Boston University. He also holds an Executive Master's Degree in Business Administration from the University of Copenhagen Business School.





**Amb. Peter Kaberia, CBS**

He is the Principal Secretary for State Department for Industrialization. He holds a Masters Degree in International Law (LLM) and a Degree in Journalism and Communication. He has served the government in several positions including PS Secretary, director and ambassador in many countries.



**Dr. Julius Muia, CBS**

He is the Principal Secretary at The National Treasury. He holds a Degree in Accounting and Masters Degree and PhD in Finance. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

He has over 25 years experience in leadership in the private sector in Kenya and UK.



**Mrs. Nancy W. Karigithu, CBS**

She is the Principal Secretary State Department for Shipping and Maritime. She holds a Bachelor's degree in law from the University of Nairobi and a master's degree in International Maritime law from the IMO International Maritime Law Institute, Malta. She has served as Director General of Kenya Maritime Authority and currently sits on the Board of Governors of the World Maritime University (WMU), based in Malmo, Sweden.



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

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



**Brig Daniel O Odeny 'psc' (K)**

He is an advocate of the High court of Kenya and served as the Company Secretary, KSL. He holds a bachelor's degree in Law, post graduate Diploma in Strategic Studies and is a certified public secretary (CPS).



### III. Management Team

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2021 were:

 <p><b>Brig Paul O Otieno MBS 'ndc' 'psc' (K)</b> Managing Director MSc(Elec), MA(Int. studies)</p>	 <p><b>Brig Daniel O Odeny 'psc' (K)</b> Company Secretary L.L.B, CPS</p>	 <p><b>Col Peter M Muthungu 'psc' (K)</b> Head of Production BSc, Naval Engr (Ger)</p>
 <p><b>Lt Col George S Ole Katumpe "acsc" (China)</b> Head of Finance BSc Mil science, MBA(Supply), MBA(Finance), Msc Mil Science, CAPM</p>	 <p><b>Lt Col Shem O Masese 'psc' (K)</b> Head of Strategy and ICT B.Ed, Msc IT</p>	 <p><b>Mr. Joel Muriithi</b> Head of Accounting BBA, MBA (Finance), CPA (K)</p>





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



**Major Hussein Washenga**  
**Head of Maintenance, Repair and overhaul**  
**(MRO)**  
**BSc Electrical and Electronics**  
**Engineering (Ger)**



#### IV. Chairman's Statement



On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Financial Statements of the Kenya Shipyards Limited for nine months period ended 30 June 2021. This report highlights the achievements during the reporting period and activities undertaken by the company in effectively executing its mandate of leading and catalysing the introduction of the new shipbuilding industry in Eastern Africa with a focus on meeting the local demand from Kenya Navy, Ministries, Department and Agencies (MDAs) with maritime assets, other public and private domestic and regional clients.

The company was allocated KSh 2.8 billion in the year under review to facilitate its operationalization and implementation of assigned projects. The key achievements include the official launch of Kenya Shipyards Limited, Keel laying and ongoing construction of the Second Wagon Ferry (MV Uhuru II at Kisumu), the construction of shipyard at Mombasa, the rehabilitation of Kisumu shipyard, the commencement of the rehabilitation of locomotives for Kenya Railways Corporation and the supply of spares for Kenya Navy and various Ministries, Departments and Agencies. The Company also partnered with M/s Damen Shipyards of Netherlands and is engaging other established shipyards to facilitate capacity building and international maritime exposure. KSL remains committed



to undertaking its operations while ensuring prudent utilization of the allocated resources. KSL employed the best practices in tackling emerging issues and engaged the Ministry of Defence, the National Treasury for additional financial resources and other partners in the strengthening of financial, operational and technical capacities.

KSL will continue to direct and align resources to support the Big 4 agenda and Vision 2030 as it focuses on its mission to establish and develop the growth of shipbuilding industry through provision of world class construction, refit, repair and maintenance of ships and other maritime services. The Board is focused on guiding in the building of a strong foundation to ensure that the Company turns profitable in the first year of operations and building a fully-fledged organization in order to deliver its mandate. KSL seeks to establish itself as a dynamic and efficient Company, attracting and retaining the best talents and adopting effective business processes. KSL also aspires to establish and maintain institutional and business processes based on international best practices.

To the Directors of the Board who have contributed immensely to ensuring the successful birth of KSL, I am truly honoured to serve alongside you as we strive to achieve our mandate. Finally, to Management and Staff, I commend you all for your tireless efforts and commitment to the attainment of KSL objectives.



**Gen Robert K Kibochi**  
**Chairman KSL**



## **V. Report of the Managing Director**



It is my great pleasure to present to you the Kenya Shipyards Limited Annual Report and Financial Statements for the nine months' period ended 30 June 2021. Kenya Shipyards Limited was established in September 2020 under the companies Act, 2015 laws of Kenya with the mandate to lead and catalyse the introduction of new shipbuilding industry in Eastern Africa with focus on meeting the local demand from Kenya Navy, Ministries, Departments and Agencies (MDAs) with maritime assets, other public and private domestic and regional clients. KSL operations are anchored on the guiding principles of integrity, professionalism, team spirit and excellence.

The shipyard started on a positive note based on its strategic location, goodwill and support from the Government of Kenya and Ministry of Defence. KSL's unique shipbuilding mandate naturally dovetails in supporting the National Development goals that includes 'Big 4' Agenda, vision 2030 and blue economy transformation. The Executive Order from the National Security Council of 04 August 2020 that directed MDAs to utilize KSL's facilities and also source for maritime products and services from KSL provided a unique opportunity to competitively serve the MDAs and save costs. Shipbuilding being a new industry in the region, KSL has anchored its start-up journey on strong partnerships with a global partner, M/s Damen and Kenya Navy to leverage knowledge transfer,



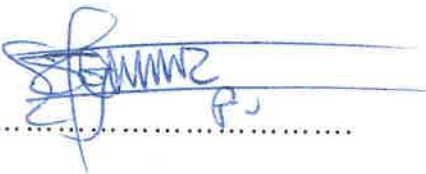


capacity building and international maritime exposure. KSL has since initiated meetings with MDAs to implement the Executive Order and thus enhance its business operations.

The company started its operations after completing preliminary engineering planning, initial identification of key personnel and technical staff and planning of specialist equipment/tools procurements. In the year under review, Kenya Shipyards Limited partnered with M/s Damen, an established ship building company, to undertake three projects: Upgrade of Kisumu and Mombasa Yards and Construction of a new Wagon Ferry (MV Uhuru II). KSL has taken steps to operationalize by undertaking operationalization activities that cut across areas of work, training, policy formulations, conceptualization and strategic planning, and actual structural and ground work.

The future looks bright for KSL given that the strategic partnership and the initial ready customer base will mitigate against technological and relevant skill set scarcity, financial demand and market penetration that may pose a challenge to the Shipyard. The strong backing of the government in terms of policy and financial support, gives a positive outlook for the shipyard.

I would like to express my gratitude to the members of the Board for their leadership and guidance during the year. I also extend my thanks to the nucleus team that has been engaged in realizing the birth of KSL for their dedication in ensuring that the shipyard starts on a positive footing. I look forward to the great and dedicated team work.



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



## VI. Statement of performance against predetermined objectives for FY 2020/2021

KSL has Four strategic objectives within its annual work plan for FY 2020/2021. These pillars are as follows: Pillar 1: Organizational Capacity and Governance

Pillar 2: Financial Mobilization and Sustainability

Pillar 3: Partnerships

Pillar 4: Capacity Building through Knowledge transfer

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Organization capacity and Governance	To launch the KSL and establish organizational structure.	a. Appointment of MD. b. Deployment of personnel to KSL. c. Establishment of organogram.	a. Appoint MD b. Source staff from within MOD c. Contract consultancy on organization structure	a. Brig Paul Otieno appointed MD on 30 October 2020. b. 184 x Personnel deployed from MOD. c. Organogram presented and approved by BOD.
Finance mobilization and Sustainability	To source for business and efficiently utilize financial resources.	a. Preparation and Approval of Annual budget. b. Development of Business Pipelines.	a. Prepare Annual budget and forward for approval. b. Do sales and marketing activities	a. Annual budget of Kshs 2.8 B prepared and approved by BOD b. Ongoing sales and marketing with clients
Partnerships	To strengthen partnerships and customers relations	a. Preparation of Framework agreements with MDAs and partners. b. Engagement with partners	a. Draw Framework agreements with MDAs and Partners. b. Partner with shipbuilding entities	a. Framework concluded between KSL and Damen, KMA, KPA, KCGS, KRA. b. Concluded partnership with M/s Damen on Shipbuilding.
Capacity building	Tap on partnership with M/s Damen on Knowledge transfer	No of trainings	Trainings conducted at NITA Mombasa and Kisumu	Staff trained on welding and posted to Kisumu yard to aid in construction of wagon ferry



## **VII. Corporate Governance Statement**

The Board was constituted as provided by law. The Board of Directors and Management remains committed to the adoption of corporate governance and best practice in support of KSL Vision to be the leading catalyst in development of shipbuilding industry in Eastern Africa.

### **Appointment and removal of Directors**

In discharging its mandate, the Board is guided by the Company's Memorandum and Articles of Association (article 9) as follows:

- a) The Chief of Defence Forces who shall be the chairperson of the Board of Directors.
- b) The Vice Chief of Defence Forces.
- c) The three service Commanders of the Defence Forces.
- d) The Principal Secretary responsible for Defence.
- e) The Principal Secretary responsible for Industrialization.
- f) The Principal Secretary responsible for National Treasury.
- g) The Principal Secretary responsible for Maritime Transport.
- h) Three persons appointed by the Cabinet Secretary responsible for Defence who in the opinion of the Cabinet Secretary possess qualities that will benefit the work of the company.

The directors, other than directors appointed pursuant to article 9(h) above, may appoint their alternates by notice in writing to the chairperson. The current Board has 11 (Eleven) members and is properly constituted as provided in the law. The members possess a broad range of skills and competencies, including legal, finance, economics and strategic management. The Board exercises leadership, integrity and good judgment and always acts in the best interest of the Company.

### **Roles and Functions of the Board**

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



### **Ethics and Conduct**

The Code of Conduct is in compliance with the Constitutional Provisions of Chapter VI (Leadership and Integrity), National Values, Public Officers Ethics Act and other relevant legislation governing the conduct of Public Officers. 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. In this regard, the Company discloses timely and accurate information on financial and operation performance as well as the leadership and governance of the Company.

### **Conflict of Interest**

The Board members have a statutory duty not to have interests that conflict with those of the Company. The members are aware that all their business transactions or those of their related parties are to be disclosed to avoid any conflict of interest. The Board wishes to report that there were no insider dealings for the year ended 30 June 2021.

### **Board Remuneration**

The Directors' remuneration rates are as outlined in the State Corporations Act and by the Salaries and Remuneration Commission. KSL does not grant personal loans or guarantees to its directors.

### **Governance Audit**

Guidance on governance within State Corporations is set out in the Constitution, applicable laws and Mwongozo Code of Governance. Governance Audit which entails review of governance structures, policies and practices is important to ensure they are in conformity with highest standards of good governance. In the year under review the board did not conduct governance audit owing to the limiting time constraints where the board was involved in ensuring a smooth initialization of KSL operations. The board remains committed to ensuring that best practices are applied and highest standards of conformity in its governance structures and policies is maintained within its operations.

### **Succession Plan and Board Charter**

The Board is cognizant of the importance of a Board succession planning policy and Board Charter which is the reference guide for the Directors in stipulating their individual and collective responsibilities, powers, duties and obligations. KSL Board is in the process of developing the above tools to ensure continuity and clear governance mechanism in its corporate governance framework.





### Board attendance and Committees

The Board is responsible and accountable to the Government of Kenya, through the Ministry of Defence, in ensuring that the Company complies with the law and the highest standards of corporate governance. Best practice requires that every board member attends a minimum of 75% of all board meetings. During the period under review, the Board met Five (5) times and below is an extract for attendance of the board meeting:

S/No	Members	Designation	Attendance	%
1.	Gen Robert K Kibochi	Chairman	4/5	80%
2.	Lt Gen (Rtd) Levi F Mghalu	Outgoing V/CDF	3/5	60%
3.	Dr Ibrahim M Mohamed	PS Defence	5/5	100%
4.	Lt Gen Walter R Koipaton	Comd KA	4/5	80%
5.	Lt Gen Francis O Ogolla	V/CDF	5/5	100%
6.	Ma Gen Jimson L Mutai	Comd KN	5/5	100%
7.	Dr Julius Muia <b>Alternate Dir 1:</b> Eng Stanley Kamau <b>Alternate Dir 2:</b> Mr Humphrey Muhu	PS National Treasury	4/5	80%
8.	Mrs Nancy Karigithu <b>Alternate Dir 1:</b> Eng Joseph Atonga	PS Shipping & Maritime	5/5	100%
9.	Amb Kirimi Kaberia <b>Alternate Dir 1:</b> Mr Palia Wangusi	PS Industrialization	5/5	100%
10.	Brig Paul O Otieno	Managing Director	5/5	100%
11.	Brig Daniel O Odeny	Chief of Legal Services	5/5	100%

### Current Board Committees

There were four committees constituted to enhance efficiency and effectiveness of the Board: Finance and Strategy; Human Resource and Audit and Operations. Appointment to these Board committees took into consideration diversity of the members; skills, expertise and experience required to handle respective functions.



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



## VIII. Management Discussion and Analysis

During the Financial year 2020-2021, KSL was assigned to undertake two projects with the Government of Kenya namely upgrade of Kisumu yard and Construction of Wagon Ferry. The agreed targets and planned activities were guided by long-term Government development plans including the Kenya Vision 2030 and the Big Four Agenda Initiative. A summary of the Company's achievements during the year based is highlighted in the section below.

### Operational and Financial Performance

During the FY 2020/21 Kenya Shipyards Limited was allocated **KShs 2.8 billion** from the National Treasury to cater for contractual obligations and operational expenses. However, the actual amount received was 92% (**Kshs 2.5 billion**) of the budgeted revenue and **Kshs 700,000** donations in kind. KSL utilized 67 % of the received funds indicating an under absorption of 33% which was attributed to delay in delivery of materials of the main projects which had not been finalized by the end of the year. The table below gives a summary of the **Operational and Financial Performance**

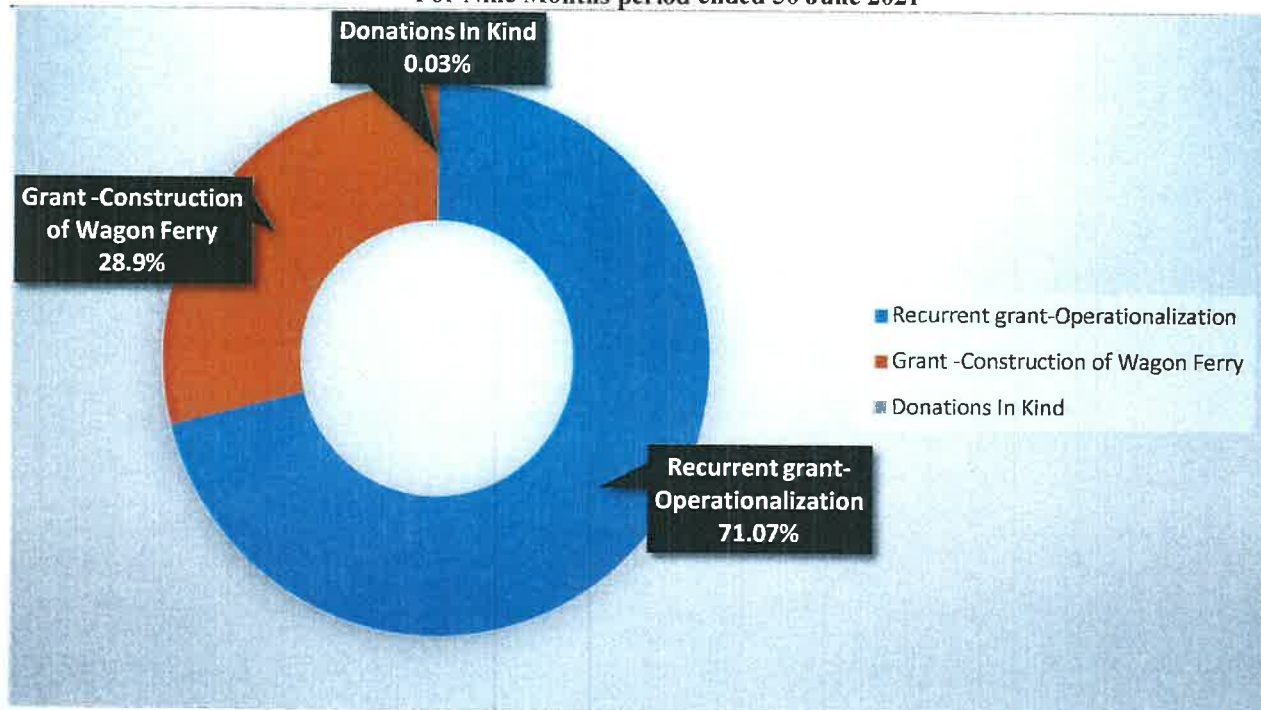
Year ended 30 June 2021	Budget Kshs	Actual Kshs	%
Government grants	2,800,000,000	2,569,399,236.47	92%
Donations in Kind	-	700,000.00	-
Expenditure	2,800,000,000	1,877,660,595.35	67%

### Government Grants

KSL is supported by the National Government through the Ministry of Defence. KSL's budget is approved by the Board of Directors. During the FY 2020/21 Kenya Shipyards Limited received Kshs 1.8 billion for operationalization, Kshs 731 million for construction of Wagon Ferry and Kshs 700,000 as donations in kind (as shown in the chart below):



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### **Compliance and Operational results**

KSL has complied with the Companies Act, State Corporations Act and PFM Act 2012. It has also complied with other legal requirements set out in the constitution of Kenya. There have been no instances of non-compliance that would lead to financial loss.

### **Major risks**

During the period under review, the key risks that emerged was the COVID-19 Pandemic which disrupted both daily life and business activities with the impact being felt on delay in delivery of procured goods. To mitigate this pandemic KSL continues to ensure that the containment measures in line with all the government protocols and guidelines issued are observed.





## **IX. Environmental and Sustainability Reporting**

KSL mandate is to provide world class maritime services through: design, construction, repair and maintenance, refit and conversion and other maritime services. These principal activities impact the societies and environment in which KSL operates. Beyond its core mandate, KSL is committed to creating employment opportunities, contributing to the economic and social development as enumerated below:

### **i) Environmental performance**

Kenya Shipyards Limited 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. These include Environmental Management and Coordination Act, the Environmental Impact (Assessment and Auditing) Regulations, Occupational Safety and Health Act OSHA 2007 and Public Health Act.

### **ii) Employee welfare**

KSL has anchored its start-up journey on strong partnerships with a global partner, M/s Damen to leverage on knowledge transfer. Trainings on various skills such as welding have been conducted by M/s Damen to equip KSL local personnel with relevant skills on shipbuilding and required certifications. KSL continues to conduct Safety and security sensitization to its personnel deployed at the sites in Mombasa and Kisumu.

### **iii) Market place practices**

Kenya Shipyards Limited continued to comply with Government requirement on local content procurement where goods and services were procured locally by the company apart from shipbuilding materials such as steel that are not available locally. KSL has complied with 30% of access to government procurement opportunities (AGPO) requirement by ensuring that Youth, Women and Persons with disabilities supplied goods and services. These procurement opportunities have created diverse financial benefits for the special groups as well as enhancing the KSL corporate image and reputation.

### **iv) Community Engagements**

Kenya Shipyards Limited has remained committed to engaging with local communities in project areas, the general public, sector partners and other stakeholders aiming at cultivating their goodwill, cooperation and amicable association. The host communities in the areas where the projects traverses have benefited from employment opportunities by KSL and its contractors which has boosted the living standards of the communities in the project areas.



**X. Report of the Directors**

The Directors are pleased to submit their report together with the financial statements for the year ended 30 June 2021 which shows the state of the Kenya Shipyards Limited's affairs.

**i) Principal activities**

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

**ii) Directors**

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

**iii) Results**

The results of KSL are presented indicated in **Section VI - IX**.

**iv) Auditors**

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

By Order of the Board



.....  
**Brig Yvonne K Kirui**

**Corporate Secretary**



## **XI. Statement of Directors' Responsibilities**

Section 81 of the Public Finance Management Act, 2012 requires the Directors to prepare financial statements in respect of Kenya Shipyards Limited, which gives a true and fair view of the state of affairs of the Kenya Shipyards Limited at the end of the financial year as well as the operating results. The Directors are also required to ensure that the Kenya Shipyards Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of the Kenya Shipyards Limited. The Directors are also responsible for safeguarding the assets of the Kenya Shipyards Limited and the preparation and presentation of the Company's financial statements. This responsibility includes the following:

- 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 Kenya Shipyards Limited
- 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 Kenya Shipyards Limited.
- v) Selecting and applying appropriate accounting policies.
- vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Kenya Shipyards Limited'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.

The Directors are of the opinion that the Kenya Shipyards Limited's financial statements give a true and fair view of the state of Kenya Shipyards Limited's transactions during the financial year ended 30 June 2021. The Directors further confirm the completeness of the accounting records maintained for the Kenya Shipyards Limited, which have been relied upon in the preparation of the Kenya Shipyards Limited's financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Directors to indicate that the Kenya Shipyards Limited will not remain a going concern for at least the next twelve months from the date of this statement.

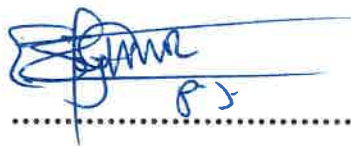


**Approval of the financial statements**

The Kenya Shipyards Limited's financial statements were approved by the Board on \_\_\_\_\_ 2021 and signed on its behalf by:



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



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





# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA SHIPYARDS LIMITED FOR THE NINE (9) MONTHS PERIOD ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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 the Kenya Shipyards Limited set out on pages 1 to 28, which comprise the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of

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*Report of the Auditor-General on Kenya Shipyards Limited for the Nine (9) months period ended 30 June, 2021*

budget and actual amounts for the nine (9) months period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Shipyards Limited as at 30 June, 2021, and of its financial performance and its cash flows for the nine months period then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

### **Other Information**

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

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

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

### **Conclusion**

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

## **Basis for Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of an Internal Audit Function**

Although the Company has an Audit Committee, it did not have an Internal Audit Function during the period under review. This is contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which requires every National Government entity to have appropriate arrangements in place for conducting internal audit. Lack of an Internal Audit Function may lead to weak internal controls resulting in fraud or loss of funds.

#### **2. Lack of Strategic Plan**

A review of the Company's key policy and strategic documents revealed that the Company did not have a Strategic Plan. This is contrary to Section 68(2)(g) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare a Strategic Plan for the entity in conformity with the medium-term fiscal framework and fiscal policy objectives of the national government.

In the absence of a Strategic Plan, the Company may not be able to manage and reduce business risks.

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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



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

### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related

disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**10 March, 2022**

**XIII. Statement of Profit or Loss and Other Comprehensive Income for the Nine Month period ended 30 June 2021.**

	Note	2020-2021 Kshs
<b>REVENUES</b>		
Revenue from contracts	6	1,086,711,112.21
Cost of sales	7	894,940,694.54
Gross profit		<b>191,770,417.67</b>
<b>Other Income</b>		
Grants from the National Government	8b	157,068,126.05
<b>Total other income</b>		<b>157,768,126.05</b>
<b>TOTAL REVENUES</b>		<b>348,838,543.72</b>
<b>OPERATING EXPENSES</b>		
Administration Costs	9	157,068,126.05
<b>TOTAL OPERATING EXPENSES</b>		<b>157,068,126.05</b>
<b>PROFIT BEFORE TAXATION</b>		<b>191,770,417.67</b>
<b>INCOME TAX EXPENSE</b>		-
<b>PROFIT AFTER TAXATION</b>		<b>191,770,417.67</b>



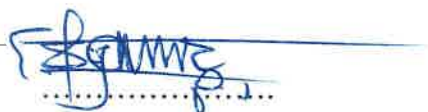


Kenya Shipyards Limited  
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**XIV.Statement of Financial Position as at 30 June 2021**

	Note	2020-2021 Kshs
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	10	1,142,963,650.46
<b>Total Non-Current Assets</b>		<b>1,142,963,650.46</b>
<b>Current Assets</b>		
Bank and cash balances	11	376,393,762.12
Contracts-Receivables	12	317,311,875.74
<b>Total Current Assets</b>		<b>693,705,637.86</b>
<b>TOTAL ASSETS</b>		<b>1,836,669,288.32</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Capital fund		1,142,963,650.46
Retained earnings		191,770,417.67
<b>Capital and Reserves</b>		<b>1,334,734,068.13</b>
<b>Non-Current Liabilities</b>		
Deferred Income		500,668,223.49
<b>Total Non-Current Liabilities</b>		<b>500,668,223.49</b>
<b>Current Liabilities</b>		
Trade and other payables		1,266,996.70
<b>Total Current Liabilities</b>		<b>1,266,996.70</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,836,669,288.32</b>

The financial statements were approved by the Board on \_\_\_\_\_ 2021 and signed on its behalf by:



Managing Director  
**Brig Paul O Otieno**



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



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



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**XV.Statement of Changes in Equity for the Year Ended 30 June 2021**

	Ordinary share capital	Capital Fund	Retained earnings	Total
<b>As at July 1, 2020</b>	-	-	-	-
Ordinary Share Capital	-	-	-	-
Grants transferred to Capital Fund	-	1,142,963,650.46	-	1,142,963,650.46
Profit for the Year	-	-	191,770,417.67	191,770,417.67
<b>As at June 30, 2021</b>	-	<b>1,142,963,650.46</b>	<b>191,770,417.67</b>	<b>1,334,734,068.13</b>



**XVI.Statement of Cash Flows for nine months' period Ended 30 June 2021**

	Note	2020-2021
		Kshs
<b>Cash Flows From Operating Activities</b>		
Surplus for the year		191,770,417.67
Adjustments: Increase in Payables		1,266,996.70
Increase in Receivables		(317,311,875.74)
<b>Net Cash Generated From Operating Activities</b>		<b>(124,274,461.37)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment		(1,142,963,650.46)
<b>Net Cash Generated From Investing Activities</b>		<b>(1,142,963,650.46)</b>
<b>Cash Flows from Financing Activities</b>		
Grants received for Capital Assets		1,142,963,650.46
Deferred Income received		500,668,223.49
<b>Net Cash Generated From Financing Activities</b>		<b>1,643,631,873.95</b>
<b>Increase In Cash And Cash Equivalents</b>		<b>376,393,762.12</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>		<b>-</b>
<b>Cash And Cash Equivalents At End Of The Year</b>		<b>376,393,762.12</b>



**XVII. Statement of Comparison of Budget and Actual Amounts for the Nine Months Period  
Ended 30 June 2021**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	%	
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	
	Kshs	Kshs	Kshs	Kshs	Kshs	%	
<b>Revenue</b>							
Revenue from contracts	1,000,000,000.00	-	1,000,000,000.00	769,399,236.47	230,600,763.53	77%	a
Grant from Government	1,800,000,000.00	-	1,800,000,000.00	1,800,000,000.00	-	100%	
Other income	-	-	-	700,000.00	700,000.00		
<b>Total Revenue</b>	<b>2,800,000,000.00</b>	<b>-</b>	<b>2,800,000,000.00</b>	<b>2,570,099,236.47</b>	<b>231,300,763.53</b>	<b>92%</b>	
<b>Expenses</b>							
Cost of Sales	904,692,000.00	-	904,692,000.00	577,628,818.80	327,063,181.20	64%	
Administrative costs	374,339,000.00	-	374,339,000.00	157,068,126.05	217,270,873.95	42%	b
<b>Total Recurrent expenditure</b>	<b>1,279,031,000.00</b>	<b>-</b>	<b>1,279,031,000.00</b>	<b>734,696,944.85</b>	<b>544,334,055.15</b>		
<b>Capital expenditure</b>	<b>1,520,969,000.00</b>	<b>-</b>	<b>1,520,969,000.00</b>	<b>1,142,963,650.46</b>	<b>378,005,349.54</b>	<b>75%</b>	<b>c</b>
<b>Total Expenditure</b>	<b>2,800,000,000.00</b>	<b>-</b>	<b>2,800,000,000.00</b>	<b>1,877,660,595.31</b>	<b>922,339,404.69</b>	<b>67%</b>	
Balance c/d (Retained earnings)	-	-	-	191,770,417.67	191,770,417.67		
Balance c/d (Deferred income)	-	-	-	500,668,223.49	500,668,223.49		

**Budget notes**

- a) As at the end of the financial year 2020/2021, KSL was yet to receive the balance of Kshs. 230,600,763.53 from the Ministry of Defence from the total allocation of Kshs. 1.0 billion for the construction of the Wagon Ferry.
- b) KSL did not incur any cost on some of the budget lines such as purchase of ERP system, installation of firefighting system, fungicides and sprays.
- c) The delay in delivery of materials for the two main projects occasioned the underutilization of the funds budgeted for contractual obligations.





## **XVIII. Notes to the Financial Statements**

### **1. General Information**

Kenya Shipyards Limited (KSL) is established by and derives its authority and accountability from Companies Act, State corporations Act and the Public Finance Management Act 2012. The Kenya Shipyards Limited is wholly owned by the Government of Kenya and is domiciled in Kenya. The Kenya Shipyards Limited's principal activity is to provide 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 and loss and other comprehensive income in these financial statements.

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

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Kenya Shipyards Limited'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 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kenya Shipyards Limited.

The financial statements have been prepared in accordance with the PFM Act 2012, the Company Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.



## Notes to the Financial Statements (Continued)

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

#### i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021

Description	Effective Date
<p><b>IAS 39: Financial Instruments: Recognition and Measurement</b></p> <p>This standard outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when Kenya Shipyards Limited becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.</p>	<p>The amendments are effective for annual periods beginning on or after 01 January 2020.</p>
<p><b>IFRS 4: Insurance Contracts</b></p> <p>In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.</p>	<p>The amendments are effective for annual periods beginning on or after 01 January 2020.</p>
<p><b>IFRS 7: Financial Instruments- Disclosures</b></p> <p>Requires disclosure of information about the significance of financial instruments to KSL, the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.</p>	<p>The amendments are effective for annual periods beginning on or after 01 January 2020.</p>



Description	Effective Date
<b>IFRS 16: Leases</b> <p>Specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.</p>	<p>The amendments are effective for annual periods beginning on or after 01 January 2020. Earlier application is permitted.</p>

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

**ii. New and amended standards and interpretations in issue but not yet effective in the nine months period ended 30 June 2021.**

Description	Effective Date
<b>IAS 1: Presentation of Financial Statements</b> <p>Sets out the requirements for financial statements. The standard requires a complete set of financial statements to comprise a statement of financial position, statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.</p>	<p>The amendments are effective for annual periods beginning on or after 01 January 2023. Earlier application is permitted.</p>
<b>IAS 16: Property, Plant and Equipment</b> <p>Outlines that Property, plant and equipment is initially measured at its cost, subsequently measured both using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.</p>	<p>The amendments are effective for annual periods beginning on or after 01 January 2022. Early application is permitted.</p>
<b>IAS 12: Income Taxes</b>	



Description	Effective Date
Implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of Kenya Shipyards Limited's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after 01 January 2023. Early adoption is permitted.
<b>IAS 37: Provisions, Contingent Liabilities and Contingent Assets</b> Outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after 01 January 2022. Early application is permitted.
<b>IAS 41: Agriculture</b> Sets out the accounting for agricultural activity – the transformation of biological assets. The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after 01 January 2022. Early application is permitted.
<b>IFRS 1: First-time Adoption of International Financial Reporting Standards</b> Sets out the procedures that KSL must follow when it adopts IFRS for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after 01 January 2022. Early application is permitted.
<b>IFRS 3: Business Combinations</b>	





Description	Effective Date
Outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after 01 January 2022. Early application is permitted.

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

**iii. Early adoption of standards**

The Kenya Shipyards Limited did not early – adopt any new or amended standards in year 2020/2021



## Notes to the Financial Statements (Continued)

### 4. Summary of Significant Accounting Policies

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

#### a) Revenue recognition

Revenue is measured based on the consideration to which the Kenya Shipyards Limited expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Kenya Shipyards Limited 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 Kenya Shipyards Limited delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the Kenya Shipyards Limited 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) **Other income** is recognized as it accrues.

#### b) 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. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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



plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

**c) 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 costs 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 are:

Freehold Land	- Nil
Buildings and civil works	- 25 years or the unexpired lease period
Plant and machinery	- 12.5 years
Motor vehicles	- 4 years
Computers and related equipment	- 3 years
Office equipment, furniture and fittings	- 12.5 years

No depreciation charge is recognized in the year of asset purchase. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

**d) Cash and cash equivalents**

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



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

### **e) 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 Kenya Shipyards Limited or not, less any payments made to the suppliers.

### **f) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Kenya Shipyards Limited operates, Kenya Shillings. Transactions in foreign currencies during the year 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.

### **g) Budget information**

The budget for FY 2020-2021 was approved by the National Treasury in June 2020. No Subsequent revisions or additional appropriations were made to the approved budget.

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





## Notes to the Financial Statements (Continued)

### **h) Comparative figures**

There were no comparative figures for the previous financial year, the FY 2020/2021 being the incorporation and inception year of Kenya Shipyards Limited.

### **i) 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, 2021.

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

The preparation of the Kenya Shipyards Limited'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 Kenya Shipyards Limited 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 Kenya Shipyards Limited. Such changes are reflected in the assumptions when they occur.



## Notes to the Financial Statements (Continued)

### 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:

- i) The condition of the asset based on the assessment of experts employed by the Kenya Shipyards Limited.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funding to replace the assets.
- v) Changes in the market in relation to the asset.

### c) Provisions

Provisions were raised and management determined an estimate based on the information available.

No provisions were made in the year under review.

## 6. Revenue

	2020/2021
	Kshs
Revenue on Construction of Wagon Ferry	769,399,236.47
Revenue on KRC & Kenya Navy spare parts	317,311,875.74
<b>Total</b>	<b>1,086,711,112.21</b>

KSL entered into a contract with the Ministry of Defence for Construction of the Wagon Ferry and Received Kshs 769 million for the works completed as at the end of the FY2020/2021.

KSL procured spare parts for Rehabilitation of Kenya Railways Corporation 31 No. Locomotives and Kenya Navy ships amounting to Ksh.317 million. This amount is due and has been recognized as revenue.

## 7. Cost of Sales

	2020/2021
	Kshs
Contractual Obligation to M/S Damen -Construction of wagon ferry	521,675,000.00
Labor and related costs	55,953,818.80
KRC & Kenya Navy spare parts	317,311,875.74
<b>Total</b>	<b>894,940,694.54</b>



## Notes to the Financial Statements (Continued)

### 8. Grant from National Government

	2020/2021
	Kshs
Recurrent grants received	1,800,000,000.00
Donations-KCB & COOP	700,000.00
<b>Total</b>	<b>1,800,700,000.00</b>

#### 8b)

Name of the Kenya Shipyards Limited sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund. Kshs	Total grant income during the year Kshs
Ministry of Defence	157,068,126.05	499,968,223.49	1,142,963,650.46	1,800,000,000.00
Donations-KCB & COOP	-	700,000.00	-	700,000.00
<b>Total</b>	<b>157,068,126.05</b>	<b>500,668,223.49</b>	<b>1,142,963,650.46</b>	<b>1,800,700,000.00</b>

#### 8c) Other Income

Description	2020/2021 Kshs
Cash Donation: KCB	200,000.00
Cash Donation: COOP	500,000.00
<b>Total</b>	<b>700,000.00</b>



## Notes to the Financial Statements (Continued)

### 9. Administration Costs

Description	2020/2021 Kshs
Insurance costs	840,854.00
Consultancy fees	5,034,240.00
Electricity and Water	12,288,681.70
Communication services and supplies	4,673,000.00
Advertising	180,120.00
Transportation, travelling and subsistence	24,297,247.00
Rent expenses	25,689,665.00
Training expenses	11,175,992.00
Hospitality supplies and services	41,146,634.50
Bank charges and commissions	30,439.85
Refined Fuel, oil & Lubricants	3,779,993.00
Office and general supplies and services	5,739,163.00
Board of Directors expenses	7,733,700.00
Purchase of safety equipment and clothing	12,664,053.00
Licenses and permits	20,000.00
Cleaning materials and detergents	43,000.00
Postage & courier	25,280.00
Repairs and Maintenance	1,706,063.00
<b>Total</b>	<b>157,068,126.05</b>





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

**9b) Repairs and Maintenance**

	2020/2021
	Kshs
Maintenance of Motor vehicles	4,000.00
Maintenance of Plant and Machinery	899,056.00
Maintenance of civil works	803,007.00
<b>Total</b>	<b>1,706,063.00</b>



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

**10. Property, Plant and Equipment**

2021	Buildings & civil works	Motor vehicles	ICT equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>COST OR VALUATION</b>						
At July 1, 2020	-	-	-	-	-	-
Additions	93,812,130.46	19,724,928.00	4,405,050.00	21,100,057.00	1,003,921,485.00	1,142,963,650.46
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>At June 30, 2021</b>	<b>93,812,130.46</b>	<b>19,724,928.00</b>	<b>4,405,050.00</b>	<b>21,100,057.00</b>	<b>1,003,921,485.00</b>	<b>1,142,963,650.46</b>
<b>DEPRECIATION</b>						
At July 1, 2020	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-
<b>At June 30, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET BOOK VALUE At June 30, 2021</b>	<b>93,812,130.46</b>	<b>19,724,928.00</b>	<b>4,405,050.00</b>	<b>21,100,057.00</b>	<b>1,003,921,485.00</b>	<b>1,142,963,650.46</b>



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

**10 (b) Property, Plant and Equipment at Cost**

The buildings and other assets were stated on the historical cost basis as follows:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Buildings	93,812,130.46	-	93,812,130.46
Motor vehicles	19,724,928.00	-	19,724,928.00
ICT equipment	4,405,050.00	-	4,405,050.00
Office equipment, furniture, and fittings	21,100,057.00	-	21,100,057.00
<b>Total</b>	<b>139,042,165.46</b>	<b>-</b>	<b>139,042,165.46</b>



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

**11. Bank and Cash Balances**

	2020/2021
	Kshs
Cash at bank	375,506,504.92
Cash in hand	887,257.20
	<b>376,393,762.12</b>

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

		2020/2021
Financial institution	Account number	KShs
<b>a) Current account</b>		
KCB-kshs	1280647663	764,284.20
KCB –Euro	1282418998	9,060,797.44
KCB –Usd	1282418726	-
Cooperative bank- Kshs	01141447633500	231,289,915.65
Cooperative bank- Euro	22120447633500	134,388,698.88
Cooperative bank-Usd	02120447633500	2,808.75
Cooperative bank-Yuan	25120447633500	-
Cash in Hand		887,257.20
<b>Grand total</b>		<b>376,393,762.12</b>

**12. Contracts -Receivables**

	2020/2021
	Kshs
Bid and performance bonds-KRC contract	45,588,394.85
Spares parts for KRC locomotives	264,642,571.69
Spare parts for Kenya Navy Ships	7,080,909.20
<b>Total</b>	<b>317,311,875.74</b>





## Notes to the Financial Statements (Continued)

### 13. Ordinary Share Capital

	2020/2021
	Kshs
<b>Authorized:</b>	
7,500,000 ordinary shares of Kshs 1,000 par value each	7,500,000,000.00
<b>Issued and fully paid:</b>	
Nil ordinary shares of Kshs par value each	-

KSL is wholly owned by the government of Kenya with the Cabinet Secretary to the Treasury of Kenya being the sole shareholder with 7,500,000 shares. However, the capital will be recognized gradually as funds are received from the National Treasury.

### 14. Retained Earnings

The retained earnings represent amounts available for utilisation to finance the Kenya Shipyards Limited's business activities.

### 15. Trade and Other Payables

	2020-2021
	Kshs
Retention	1,266,996.70
<b>Total</b>	<b>1,266,996.70</b>

### 16. Related Party Disclosures

#### Government of Kenya

The Government of Kenya is the principal shareholder of the Kenya Shipyards Limited, holding 100% of the Kenya Shipyards Limited's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Kenya Shipyards Limited, both domestic and external. Other related parties include:

- |   |                        |
|---|------------------------|
| i) The National Treasury                        | v) County Governments  |
| ii) The Ministry of Defence                     | vi) Board of directors |
| iii) Other Ministries, Departments and Agencies | vii) Key management    |
| iv) Other State Corporations                    |                        |



## Notes to the Financial Statements (Continued)

### Transactions with related parties

	2020-2021
	Kshs
<b>b) Purchases from related parties</b>	
Purchases of electricity from KPLC	12,185,711.40
Purchase of water from govt service providers	102,970.30
Bank charges paid to Govt Commercial banks	30,439.50
<b>Total</b>	<b>12,319,121.20</b>
<b>a) Grants from the Government</b>	
Grants from National Govt	1,800,000,000.00
Grant for Construction of Wagon Ferry	769,399,236.47
<b>Total</b>	<b>2,569,399,236.47</b>

## 17. Financial Risk Management

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

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



## Notes to the Financial Statements (Continued)

### a. Credit risk

The Kenya Shipyards Limited 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.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2021</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	375,506,504.92	-	-	-
<b>Total</b>	375,506,504.92	-	-	-

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

### b. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Kenya Shipyards Limited's directors, who have built an appropriate liquidity risk management framework for the management of the Kenya Shipyards Limited's short, medium and long-term funding and



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liquidity management requirements. The Kenya Shipyards Limited manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>				
Trade payables	-	-	1,266,996.70	1,266,996.70
<b>Total</b>	-	-	1,266,996.70	1,266,996.70

**c. Market risk**

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 Kenya Shipyards Limited's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit Committee. There has been no change to the Kenya Shipyards Limited's exposure to market risks or the manner in which it manages and measures the risk.

**d. Foreign currency risk**

The Kenya Shipyards Limited 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.

**e. Interest rate risk**

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





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

**f. Management of interest rate risk**

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

**g. Capital Risk Management**

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

	2020-2021
	Kshs
Capital Fund	1,142,963,650.46
Retained earnings	375,126,765.42
<b>Total funds</b>	<b>1,518,090,415.88</b>

**18. Incorporation**

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

**19. Events After the Reporting Period**

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

**20. Currency**

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



## **APPENDICES**

### **APPENDIX 1: Progress on Follow Up of Auditor Recommendations**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
N/A	N/A	N/A	N/A	N/A

**Accounting Officer**

**Brig Paul O Otieno**

**Managing Director KSL**

**Sign.....**

**Date.....**



## APPENDIX II: Projects Implemented by The Kenya Shipyards Limited

### Projects

Projects implemented by the SAGA Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Operationalization of KSL		GOK	2020-2021	1.8 B	No	Yes
Construction of wagon ferry		GOK	2020-2021	3.5 B	No	Yes
Kisumu yard upgrade		GOK	2020-2021	2.0 B	No	Yes
<b>TOTAL</b>				<b>7.3 B</b>		

### Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Operationalization of KSL	1.8 B	402,252,907.35	20%		402,252,907.35	GOK
2	Construction of wagon ferry	3.5 B	953,732,688.00	40%		953,732,688.00	GOK
3	Kisumu yard upgrade	2.0 B	521,675,000.00	65%		521,675,000.00	GOK



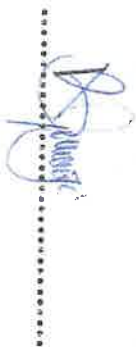
**APPENDIX III: Inter-Kenya Shipyards Limited Transfers**

KENYA SHIPYARDS LIMITED				
Break down of Transfers from the National Treasury and Ministry of Defence				
FY 2020/21				
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		18/01/2021	1,450,000,000.00	2020/2021
		16/03/2021	100,000,000.00	2020/2021
		19/04/2021	250,000,000.00	2020/2021
		Total	1,800,000,000.00	
b.	Development Grants	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		17/03/2021	99,639,770.13	2020/2021
		19/04/2021	632,197,973.37	2020/2021
		01/07/2021	37,561,492.97	2020/2021
		Total	769,399,236.47	
d.	Donor Receipts	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
	Kenya commercial Bank	17/06/2021	200,000.00	2020/2021
	Cooperative Bank of Kenya	27/05/2021	500,000.00	2020/2021
		Total	700,000.00	

the above amounts have been communicated and used as at 31.12.2021

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

Head of Accounting  
Kenya Shipyards Limited



Head of Accounting Unit  
Ministry of Defence







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**APPENDIX IV: Recording of Transfers from Other Government Entities**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Other	Total Amount KES	Where Recorded/Recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivable	Others - must be specific	
Ministry of Defence	1,800,000,000.00	Recurrent	1,800,000,000.00	1,800,000,000.00	-	-	-	-	1,800,000,000
Ministry of Defence	769,399,236.47	Development	769,399,236.47	769,399,236.47	769,399,236.47	-	-	-	769,399,236.47
<b>Total</b>	<b>2,569,399,236.47</b>		<b>2,569,399,236.47</b>	<b>2,569,399,236.47</b>	<b>769,399,236.47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,569,399,236.47</b>

