REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA NATIONAL SHIPPING LINE LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya National Shipping Line Limited set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Trade and Other Receivables Balance

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

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

2. Unsupported Trade and Other Payables Balance

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

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

Property, Plant and Equipment Balance

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

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

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

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

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

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

4. Changes in Ordinary Share Capital

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

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

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

ii. Further, the reorganization of share capital entailed transfer of 11,750 ordinary shares of Kshs.1,000 each by M/s Unimar and a similar number of shares by M/s DEG to M/s SAS Shipping Agencies Services SARL.

iii. The changes in shareholding structure reduced the Kenya Ports Authority equity ownership in the Company by 22% from 75% to 53%, while reducing M/s Unimar and M/s DEG's equity from 13% each to nil and increasing M/s SAS Shipping Agencies Services SARL shareholding from zero to 47%. Information provided indicates that this was done in compliance and fulfilment of a Memorandum of Understanding between the Cabinet Secretary for Infrastructure, Housing and Urban Development and Mediterranean Shipping Company (MSC) of August, 2018. The Memorandum of Understanding required KNSL to give M/S Heywood the opportunity to convert its economic interest in KNSL shareholding and to complete the allocation of necessary shares to increase M/S Heywood's shareholding to not less than 47%.

iv. The Memorandum of Understanding further required that the restructured KNSL be given a place at the port of Mombasa to operate from. Consequently, a Terminal Operation Agreement transferring the operation and management of Container Terminal 2 (CT2) at the port of Mombasa to KNSL, was signed between the Kenya Ports Authority and the Kenya National Shipping Line Limited on 24 January, 2022. However, available information indicates that there is a court case seeking stoppage of transfer of the operation and management of CT2 to KNSL. The case has not been determined and the information is not disclosed in the financial statements.

v. In addition, due diligence on MSC and its affiliates was to be concluded and The National Treasury provided an undertaking that all the necessary steps would be followed in order to adhere to the laws, regulations and procedures for achieving better value for the Kenyan public. However, documentary evidence detailing how M/s SAS Shipping Agencies Services SARL was selected as an equity holder in KNSL and whether due diligence on MSC and its affiliates was concluded were not provided for audit review.

vi. The Company received Government grants of Kshs.77,000,000 during the period under review. It is not clear why grants are sent directly to the Company whose Government shareholding is through Kenya Ports Authority.

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

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

Emphasis of Matter

1. Budgetary Control and Performance

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

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

2. Material Uncertainty Related to Going Concern

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

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

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Prior Year Unresolved Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Administrative Costs

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

1.1 Unauthorized Transport, Travel and Accommodation Costs

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

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

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

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

1.2 Irregular Board Expenses

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

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

1.3 Unutilized Office Space

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

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

1.4 Unjustified Legal Costs

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

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

2. Inefficiency in Operations and Use of Public Resources

The Company generated operating revenue of Kshs.2,690,175 during the year under review after spending Kshs.41,303,254 as employment cost on the nineteen (19) staff and a further Kshs.82,208,902 as general administration costs. The previous year the Company generated operating revenue of Kshs.1,990,397 after spending Kshs.37,298,046 as employment costs on nineteen (19) staff and a further Kshs.83,837,227 as administration costs. The trend demonstrates loss of public resources through confirmed payment of salaries and other administration costs while there is virtually no productivity.

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

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Non-Implementation of Planned Strategic Plan Activities

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

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

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

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

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

3. Weak Access Controls

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

ii. Information given in the Directors' report on page xxix is consistent with the financial statements; and

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

Basis for Conclusion

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

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 November, 2025

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

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