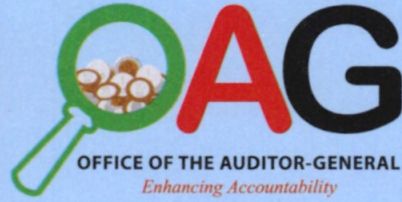



REPUBLIC OF KENYA



 <b>THE NATIONAL ASSEMBLY</b> <b>REPORT PAPERS LAID</b>	
DATE: 24 FEB 2026	DAY: Tuesday
TABLED BY: <b>OF</b>	Deputy Leader Majority Party Hon. Owen Baya, MP
CLERK-AT-THE-TABLE:	Mr. Benson Inzofa

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

ON

**HORN OF AFRICA GATEWAY  
DEVELOPMENT PROJECT LOAN  
NO.6768-KE**

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

**KENYA NATIONAL HIGHWAYS AUTHORITY**



**MINISTRY OF ROADS & TRANSPORT**



**PROJECT NAME: HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT  
(HoAGDP)**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT CREDIT NUMBER: LOAN ID 6768-KE  
PROJECT NO P-161305**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

---

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting  
Method under the International Public Sector Accounting Standards (IPSAS)**

***HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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***HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**1. Acronyms and Definition of Terms**

CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIK	Environment Institute of Kenya
EXIM	Export – Import
FY	Financial Year
HoAGDP	Horn of Africa Gateway Development Project
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
MoRT	Ministry of Roads and Transport
NETIP	North Eastern Transport Improvement Project
PAD	Project Appraisal Document
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
PPA	Project Preparation Advance
RMB	Renminbi
RFP	Request For Proposals
SDG	Sustainable Development Goals
TNT	National Treasury
UA	Unit of Account
UA	Unit of Account
USD	United States Doller

## **2. Project Information and Overall Performance**

### **2.1 Name and registered office**

#### **Name**

The project's official name is Horn of Africa Gateway Development Project (HoAGDP)

#### **Objective:**

The overarching objective of the HoA Program, which the proposed project will contribute to, is "Enhancing connectivity among the HoA countries and access to seaports; facilitation of domestic and regional trade and economic integration, and road safety". This will be achieved through a sequential improvement in physical and institutional infrastructure and promoting trade and investing in development facilitation interventions.

It is envisaged that this project will unlock existing potential and productivity, promote completeness by improving access to public services within the Horn of Africa Region in a bid to enhance the growth of the Country's Gross Domestic Product. The project will also contribute to the reduction of transport cost that will in turn help lower the cost of economic development, services delivery, and ease of doing business.

The main objectives of the initiative is to improve:

- a) The movement of people and goods and digital connectivity and access to social services to communities at designated locations along the targeted sections of the Isiolo-Mandera Regional Road Corridor.
- b) The capacity of selected transport related institutions in Kenya.
- c) Enhancing connectivity among the Horn of Africa countries and access to seaports; facilitation of domestic and regional trade and economic integration, and road safety a contribution towards the Horn of Africa program objective.

**Address:** Barabara Plaza  
Jomo Kenyatta International Airport (JKIA)  
Off Mazao Road  
Nairobi, Kenya

**Contacts:** Director General  
Kenya National Highways Authority  
P.O. Box 49712-00100  
Nairobi

Telephone: +254-20-495000  
E-mail: [dg@kenha.co.ke](mailto:dg@kenha.co.ke)  
Website: [www.kenha.co.ke](http://www.kenha.co.ke)

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Project information and overall performance (Continued)**

**2.2 Project Information**

Project Start Date:	16 <sup>th</sup> February, 2017
Financing Agreement Effectiveness Date:	22 <sup>nd</sup> December 2020  The Government received a Project Preparation Advance (PPA) for the preparation of North eastern Transport Improvement Project (NETIP) However, the project name changed to Horn of Africa Gateway Development Project (HoAGDP). This was necessitated by the virtue of the project changing its scope into a regional project under the Horn of Africa initiative. Further, the PPA was refinanced & recouped from the proceeds of the HoAGDP loan upon it becoming effective.
Project Closing Date	30 <sup>th</sup> June 2028
Project Coordinator	Eng. Paul Omondi
Project Sponsor:	1. International Development Agency (IDA) 2. Government of Kenya

**2.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the State Department for Roads on behalf of the Ministry of Roads and Transport
Project number	P-161305
Strategic goals of the project	The strategic goals of the project are as follows. <ul style="list-style-type: none"> <li>• Road construction of a 350KM section of the road corridor.</li> <li>• Development of social and economic infrastructure in some sections of the road.</li> <li>• Installation of fibre optic cable along the 740KM road</li> </ul>
Summary of Project Strategies for achievement of strategic goals.	<ul style="list-style-type: none"> <li>• Reduction in travel time.</li> <li>• Reduction in transport cost to users.</li> <li>• Reduction in cost of ICT access in area served.</li> <li>• Road in good and fair condition</li> <li>• Improved processing time at border crossings</li> </ul>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Project information and overall performance (Continued)**

Other important background information of the project	<p>The total Financing cost of the HoAGDP program is US\$750 million.</p> <p>Part of the project amount is to be expended through KeNHA as one of the six (6) designated implementing agencies in accordance with the Project Appraisal Document (PAD). The amount shall be utilized in the following project components to be undertaken by KeNHA.</p> <ul style="list-style-type: none"> <li>○ <i>Component A: Improving the movement of people and goods, and digital connectivity:</i> Sub-component A1: Upgrading Selected Critical Road Infrastructure – USD 642.54Million.</li> <li>○ <i>Component B: Facilitation of Regional Trade and Transport:</i> Subcomponent B2: Regional Transport Facilitation by KeNHA - USD 46.58 Million.</li> <li>○ <i>Component C: Improve Access to Selected Basic Social Services at Designated location along the road corridor</i> – USD 36.98Million.</li> <li>○ <i>Component D: Institutional Strengthening of Selected Transport and Related Institutions:</i> Subcomponent D1: Strengthening the capacity of KeNHA and associated Institutions – USD 42.93 Million.</li> </ul> <p>The total Counterpart funding for KeNHA components is USD 642.87 Million. equivalent and GoK USD 126.14 Million.</p>
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following problems/gaps:</p> <ul style="list-style-type: none"> <li>(i) Improving Movement of people, goods, and digital connectivity</li> <li>(ii) Facilitation of Regional trade and transport</li> </ul> <p>Improving Access to selected basic social services at designated locations</p>
Project duration	1,278 Days (42 Months)

**2.4 Bankers**

Kenya Commercial Bank  
Nairobi.

Cooperative Bank of Kenya  
Upper Hill Branch, Nairobi

**2.5 Independent Auditor**

Auditor General  
Office of the Auditor General  
Kenya National Audit Office  
P.O. Box 30084-0100  
Nairobi

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**2.6 Roles and Responsibilities**

No	Names	Title designation	Key qualification	Responsibilities
1	Eng.Henry Gakuru	Director-Development	Registered Civil Engineer	Team Leader
2	Eng.Paul Omondi	Deputy Director - Development	Registered Civil Engineer	Project Coordinator
3	Mr Walter Nyatwanga	Deputy Director-Environment and Social Safeguards	Certified Environmentalist and Social Safeguards Professional	Environment Social Safeguards Specialist
4	CPA. Chanje Kera	Deputy Director, Finance & Accounts	Certified Public Accountant (CPAK)	Financial Specialist
5	Ms.Levina Wanyonyi	Deputy Director-Supply Chain Management	Certified Supply Chain Professional	Supply Chain Management Specialist

**2.7 Funding summary**

The Project is for a duration of 8 years from 2020 to 2028 with an approved loan of Euro. 573,700,000 equivalent to Kshs. 73,232,977,110 at an exchange rate of Ksh.127.65 to the EURO as highlighted in the table below:

**A. Source of Funds**

Source of funds	Development Partner Commitment		Amount received to date – (30 <sup>th</sup> June 2025)		Undrawn balance to date	
	Euro	Kshs	Euro	Kshs	Euro	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
<b>(i) Loan</b>						
International Development Bank	573,700,000	73,232,977,110	139,323,969	17,784,746,424	434,376,031	55,448,230,686
<b>(ii) Counterpart funds</b>						
Government of Kenya	-	6,000,000,000	-	357,792,222	-	5,642,207,778
Road Maintenance Fuel Levy Fund		39,000,000		39,000,000		-
Bank Interest				69,129,011		
<b>Total</b>	<b>573,700,000</b>	<b>79,271,977,110</b>	<b>139,323,969</b>	<b>18,250,667,657</b>	<b>434,376,031</b>	<b>61,090,438,464</b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Project information and overall performance (Continued)**

**B. Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2025)		Cumulative amount paid to date – (30 <sup>th</sup> June 2025)		Unutilised balance to date (30 <sup>th</sup> June 2025)	
	EURO	Kshs	EURO	Kshs	EURO	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
International Development Association-IDA	139,323,969	17,784,746,424	135,026,283	17,236,145,559	4,297,686	548,600,865
<b>(i) Counterpart funds</b>						
Government of Kenya	-	357,792,222	-	354,416,723	-	3,375,499
Road Maintenance Fuel Levy Fund		39,000,000		30,682,358		8,317,642
Bank Interest		69,129,011		224,784		68,904,227
<b>Total</b>	<b>139,323,969</b>	<b>18,250,667,657</b>	<b>135,026,283</b>	<b>17,621,469,424</b>	<b>4,297,686</b>	<b>629,198,232</b>

**2.8 Summary of Overall Project Performance:**

Budget performance against actual amounts for current year and for cumulative to-date

	Budget (Ksh)	Actual (Ksh)	%	Budget (Ksh)	Actual (Ksh)	%
Counterpart Funds-GOK	-	-	0%	393,060,278	320,913,759	82%
Road Maintenance Fuel Levy Fund	39,000,000	30,682,358	79%	39,000,000	30,682,358	79%
Loan from external Development Partners	5,957,000,000	6,713,130,105	113%	20,923,000,000	17,269,648,523	83%
Bank Interest		224,784	-		224,784	-
<b>Total</b>	<b>5,996,000,000</b>	<b>6,744,037,247</b>	<b>112%</b>	<b>21,355,060,278</b>	<b>17,621,469,424</b>	<b>83%</b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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**Project information and overall performance (Continued)**

Physical progress based on outputs, outcomes, and impacts since project commencement is as follows.

- a) Isiolo -Kulamawe 77 Kms - 63%
- b) Kulamawe-Modogashe 113Kms -28.11%
- c) Wajir-Tarbaj 57 Km-6.2%
- d) Tarbaj-Kotulo-64Km-15.82%
- e) Package 3 contracts not started as at 30<sup>th</sup> June 2025

Absorption rate for each year since the commencement of the project

<b>Financial Year</b>	<b>Budget (Ksh)</b>	<b>Actual (Ksh)</b>	<b>Percentage (%)</b>
FY 2024/25	5,996,000,000	6,744,037,247	<b>112%</b>
FY 2023/24	5,804,059,278	6,340,792,363	<b>109%</b>
FY 2022/23	3,087,500,000	1,388,110,830	<b>45%</b>
FY 2021/22	4,806,000,000	2,491,940,523	<b>52%</b>
FY 2020/21	760,000,000	289,891,547	<b>38%</b>
FY 2019/20	292,000,000	172,033,670	<b>59%</b>
FY 2018/19	303,501,000	99,861,860	<b>33%</b>
FY 2017/18	306,000,000	94,801,384	<b>31%</b>
<b>TOTAL</b>	<b>21,355,060,278</b>	<b>17,621,469,424</b>	<b>83%</b>

**2.9 Summary of Project Compliance:**

There is no significant case of non-compliance with applicable laws and regulations and essential external financing agreements /covenants reported during the year.

**Project information and overall performance (Continued)**

**3. Statement of Performance against Project's Predetermined Objectives**

The proposed project development objectives are to improve the movement of goods and people along Isiolo-Wajir-Mandera part of the Mombasa-Garissa- Wajir- Mandera- Modogashe Road corridor and to enhance connectivity between Kenya and Somalia and Ethiopia. The project will comprise upgrading road infrastructure and associated roadside social amenities including designing and establishing facilities and marketing system for pilot pastoralist roadside markets and provision of market shades, milk cooler, slaughterhouses, veterinary posts and livestock holding area in selected locations.

**Progress on attainment of Strategic development objectives**

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement.

Below, we provide the progress on attaining the stated objectives.

<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
To open up Northeastern Kenya and provide Gateway to the Horn of Africa through Ethiopia and Somalia. Facilitate Trade and Transport & Communication through provision of fibre Optic Cable, Boost economic growth in North Eastern Region,	<ul style="list-style-type: none"> <li>Improved Trade, Transport and Communication</li> <li>Efficient Transport system</li> <li>Improved livelihood for communities</li> <li>Economic growth</li> </ul>	<ul style="list-style-type: none"> <li>Average Travel time between Isiolo to Modogashe; and Wajir to Elwak,</li> <li>Number of public transport service providers along Isiolo-Modogashe and WajirElwak;</li> <li>Number of road crash fatalities between Isiolo-Mandera road section (per 1,000 vehicles)</li> <li>Average processing time at border crossing for freight trucks and passenger vehicles.</li> <li>Number of online public services used by communities along the corridor per month.</li> <li>Number of women and children utilizing the improved social services. (Social/Gender disaggregated)</li> </ul>	Procurement of a Monitoring and Evaluation Entity for the project is ongoing.

#### **4. Environmental and Sustainability Reporting**

Horn of Africa Gateway Development Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

##### **i) Sustainability strategy and profile**

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the people and prosperity. Five out of the seventeen goals are pertinent to management of projects being undertaken by the Authority. These are being addressed through the following initiatives.

- a) *Good health and well-being (SDG 3)*: The Authority strives to undertake Road Safety Audits to identify accident black spots, implement intervention measures and provide road safety education to reduce accidents.
- b) *Gender Equality (SDG 5)*: The Authority encourages mainstreaming of gender equality in project and programmes by incorporating compliance to one third gender rule in procurement and recruitment.
- c) *Industry, innovation and infrastructure (SDG 9)*: The Authority develops quality, reliable, sustainable and resilient infrastructure including regional and trans-border infrastructure to support economic development and human wellbeing with a focus on affordable and equitable access for all.
- d) *Sustainable cities and communities (SDG 11)*: The Authority endeavours to extend the paved road network to hitherto underserved areas in the region to improve nationwide access to high speed and all – weather connectivity; and
- e) *Climate action (SDG 13)*: The Authority endeavours to combat negative impacts of road development through environmental mitigation, climate change measures and compliance with National Environment Management Authority (NEMA) requirements in all development projects.

##### **ii) Environmental performance**

The Authority is working towards ensuring environmental sustainability in projects by undertaking tree planting exercises, implementation of road beautification programs, enforce reinstatement of quarries and borrow pits after construction works, undertakes regular Environmental Impact Assessment (EIA) Audits, carries out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

##### **iii) Employee welfare**

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policies, gender mainstreaming, addresses concerns around Persons Living with Disabilities (PWDs) and takes affirmative action in line with prevailing Government Policy guidelines. The Authority prioritizes training to develop technical capacity of staff in the fields of Value Engineering, Project Financing, Project, Contract Management, Performance Based Maintenance and Safety.

**Environmental and Sustainability Reporting (Continued)**

**iv) Market place practices**

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on corruption and integrity.

The Authority undertakes to be actively involved in the negotiations during budget sector hearings in order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

**v) Community Engagements**

During the implementation of the Project, the Authority is committed to remaining a responsible corporate citizen by being accountable for its actions through engaging in Public Participation. The Project's goal in terms of community engagement is to ensure that the projects foster long-term relationships with stakeholders and communities around the project. The aim is not just to build roads that foster development but to ensure collaboration with the local communities to achieve sustainable development. The project staff is also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

The Authority is committed to provide CSR activities geared towards improving the lives of local residents and since the project is in design stage, a consultant is undertaking needs assessment in the Region to come up with desirable list for CSR activities.

## **5. Statement of Project Management Responsibilities**

The Director General, KeNHA and the Project Management are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the project for the financial year ended on June 30, 2025

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

The Director General, KeNHA and the Project Management accept responsibility for the project's financial Statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with the International Public Sector Accounting Standards.

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

The Director General, KeNHA and the Project Management confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit are used for the eligible purposes for which they were intended and were properly accounted for.

### **Approval of the Project financial statements**

The project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader on 27 AUG 2025 and signed by them:



**Eng. Luka Kimeli**  
**Ag. Director General**



**Eng. Henry Gakuru**  
**Director Development**

# REPUBLIC OF KENYA



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

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

## **REPORT OF THE AUDITOR-GENERAL ON HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT LOAN NO.6768-KE FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA NATIONAL HIGHWAYS AUTHORITY**

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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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying transitional IPSAS financial statements of Horn of Africa Gateway Development Project set out on pages 1 to 19, which comprise of the statement

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*Report of the Auditor-General on Horn of Africa Gateway Development Project Loan No.6768-KE for the year ended 30 June, 2024 – Kenya National Highways Authority*

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

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Horn of Africa Gateway Development Project Loan No. 6768 KE as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with the Financing Agreement No. Loan ID 6768-KE between the International Development Association (IDA) and the Republic of Kenya dated 07 October, 2020 and the Public Finance Management Act, 2012; and The National Treasury and Economic Planning Circular No.3 of April, 2025.

In addition, the special account statement presents fairly, the special account transactions and the ending balance has been reconciled with the books of account.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **1. Budget Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.5,996,000,000 and Kshs.7,373,235,480 respectively resulting to over-funding of Kshs.1,377,235,480 or 23% of the budget. However, the Project spent Kshs.6,744,037,247 against actual receipt amount of Kshs.7,373,235,480 resulting to underperformance of Kshs.629,198,232 or 9% of the actual receipts.

The underperformance affected the planned activities of the project and impacted negatively on service delivery to the public.

#### **2. Low Project Uptake**

As disclosed in Paragraph 2.7 on Funding Summary review of the financial statements revealed that the Project period was eight (8) years with funding commitments of balance of Kshs.73,232,977,110, Kshs.6,000,000,000 and Kshs.39,000,000 from International

Development Bank (Donor), Government of Kenya (GOK) and Road Maintenance Levy Fund respectively, all totalling Kshs.79,271,977,110. The Project had drawn an amount of Kshs.18,250,667,657 or 23% of the total funding as at 30 June, 2025 compared to 62% Project period lapse an indication that the Project was behind schedule. Further, an amount of Kshs.629,198,232 of the drawn amount had not been utilized as at 30 June, 2025. As a result, the Project may not achieve its objectives and the public may not have obtain services expected to accrue from the completed Project.

### **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 Matter**

#### **Unresolved Prior Year Matters**

In the prior year audit report, one issue was raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. This issue is on delayed Project implementation. Review of the status during audit of the Project in the 2024/2025 revealed the matter remained unresolved.

### **Other Information**

The Management is responsible for the Other Information set out on page iii to xii which comprise of Project Information and Management, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting, and Statement of project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project'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 inclusion 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 ISSAIs 3000 and 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 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with the 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 Financing Agreement No. Loan ID 6768-KE between the Government of Kenya and the International Development Agency (IDA), 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 Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

### **Basis for Conclusion**

The Financing Agreement 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 Project'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 those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project'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 57 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 Project'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.

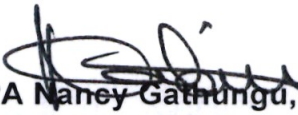
## **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(5) 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 58 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**


**26 November, 2025**

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements For the financial year ended June 30, 2025**

**7. Statement of Financial Performance for the Year ended 30th June 2025**

	Notes	FY 2024-2025
		Kshs
<b>Revenue</b>		
Revenue Transfers	6	203,691,614
Miscellaneous Revenue	7	69,129,011
<b>Total revenue</b>		<b>272,820,625</b>
<b>Expenses</b>		
Employee costs		-
Use of goods and services	8	202,740,061
Depreciation and amortization expense		-
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Certified Works		-
<b>Total expenses</b>		<b>202,740,061</b>
Other gains/(losses)		
Gain/Loss on sale of assets		-
Gain/Loss on foreign exchange transactions		-
<b>Impairment loss</b>		<b>-</b>
<b>Surplus/ (deficit)</b>		<b>70,080,564</b>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Eng. Luka Kimeli  
 Ag. Director General



Eng. Henry Gakuru  
 Director Development




CPA Isaac Kimani Karumba  
 Ag. Deputy Director-(F&A)  
 ICPAK Member No. 3321

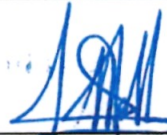
**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

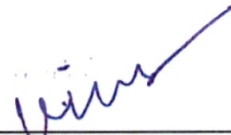
**8. Statement of Financial Position as at 30<sup>th</sup> June 2025**

	Note	FY 2024-2025	1 <sup>st</sup> July 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	9	629,198,232	1,080,170,778
Receivables	10	3,433,811,118	5,121,908,871
Inventories		-	-
Prepayment		-	-
<b>Total Current Assets</b>		<b>4,063,009,350</b>	<b>6,202,079,649</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	11	15,867,550,383	6,365,560,686
Intangible Assets		-	-
<b>Total Non- Current Assets</b>		<b>15,867,550,383</b>	<b>6,365,560,686</b>
<b>Total Assets (a)</b>		<b>19,930,559,733</b>	<b>12,567,640,335</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	12	1,258,350,109	640,793,166
Third Party Deposits	13	1,081,920,240	426,882,426
Deferred Income	14	443,803,876	971,998,290
<b>Total Current Liabilities</b>		<b>2,784,074,225</b>	<b>2,039,673,882</b>
<b>Total Liabilities (b)</b>		<b>2,784,074,225</b>	<b>2,039,673,882</b>
<b>Net Assets (a-b)</b>		<b>17,146,485,508</b>	<b>10,527,966,453</b>
<b>Represented By:</b>			
Accumulated Surplus		178,253,052	108,172,488
Capital Grants		16,968,232,456	10,419,793,965
<b>Total Net Assets</b>		<b>17,146,485,508</b>	<b>10,527,966,453</b>

The financial statements were approved on 27 AUG 2025 and signed by:

  
 Eng. Luka Kimeli  
 Ag. Director General

  
 Eng. Henry Gakuru  
 Director Development

  
 CPA Isaac Kimani Karumba  
 Ag. Deputy Director-(F&A)  
 ICPAK Member No. 3321

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**


**9. Statement of Change in Net Assets as at 30<sup>th</sup> June 2025**

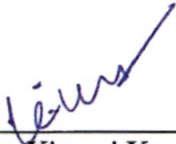
Description	Capital Grants	Accumulated Surplus	Total
		<b>Kshs</b>	
<b>As at 30<sup>th</sup> June 2024 (Cash Basis)</b>	-	<b>1,080,170,778</b>	<b>1,080,170,778</b>
			-
Adjustments:			-
Asset Recognition:	11,487,469,557	-	11,487,469,557
Liability recognition	(1,067,675,592)	-	(1,067,675,592)
Transfer to Deferred Income-IDA		(971,998,290)	(971,998,290)
		-	-
<b>As at 1<sup>st</sup> July 2024</b>	<b>10,419,793,965</b>	<b>108,172,488</b>	<b>10,527,966,453</b>
			-
Surplus/(Deficit) for the year	-	70,080,564	70,080,564
Capital Grants received during the year	6,548,438,491	-	6,548,438,491
<b>As at 30<sup>th</sup> June 2025</b>	<b>16,968,232,456</b>	<b>178,253,052</b>	<b>17,146,485,508</b>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.

The financial statements were approved on 27 AUG 2025 and signed by:

  
 Eng. Luka Kimeli  
 Ag. Director General

  
 Eng. Henry Gakuru  
 Director Development

  
 CPA Isaac Kimani Karumba  
 Ag. Deputy Director-(F&A)  
 ICPAK Member No. 3321

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**10. Statement of Cash flows for the year ended 30<sup>th</sup> June 2025**

Description	Note	FY 2024-2025
		Kshs
<b>Cashflow from operating activities</b>		
<b>Receipts</b>		
Revenue Transfers		203,691,614
Miscellaneous Revenue		69,129,011
<b>Total receipts</b>		<b>272,820,625</b>
<b>Payments</b>		
Employee costs		-
Use of goods and services		195,598,756
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Certified Works		-
<b>Total payments</b>		<b>195,598,756</b>
<b>Net cash flow from operating activities</b>	15	<b>77,221,869</b>
<b>Cashflow from investing activities</b>		
Acquisition of non-financial assets		(6,548,438,491)
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
<b>Net cash flows from investing activities</b>		<b>(6,548,438,491)</b>
<b>Cash flow from financing activities</b>		
Capital transfers: GoK Counterpart funding		1,465,383
Capital Grants- Development Partner		6,018,778,694
<b>Net cash flow from financing activities</b>		<b>6,020,244,077</b>
Net increase/Decrease in cash and cash equivalents		(450,972,546)
Cash and cash equivalent at 1st July 2024	9	<b>1,080,170,778</b>
Cash and cash equivalent at end June 2025	9	<b>629,198,232</b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30<sup>th</sup> June 2025**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Budget Carry Overs from previous periods</b>				1,080,170,778	(1,080,170,778)	-
<b>Receipts</b>						
Direct Payments-IDA	6,613,500,000	(1,313,500,000)	5,300,000,000	5,560,400,577	(260,400,577)	105%
Revenue Transfers-IDA	2,257,000,000	(1,600,000,000)	657,000,000	624,535,114	32,464,886	95%
Revenue Transfers - GOK	136,000,000	(136,000,000)	-	-	-	-
Revenue Transfers - RMLF		39,000,000	39,000,000.00	39,000,000.00	-	100%
Bank Interest	-	-	-	69,129,011	(69,129,011)	-
<b>Total Revenue</b>	<b>9,006,500,000</b>	<b>(3,010,500,000)</b>	<b>5,996,000,000</b>	<b>7,373,235,480</b>	<b>(1,377,235,480)</b>	<b>123%</b>
<b>Payments</b>						
Use of goods and services	216,156,997	(12,465,383)	203,691,614	195,598,756	8,092,858	96%
Acquisition of Non-financial assets	8,790,343,003	(2,998,034,617)	5,792,308,386	6,548,438,491	(756,130,105)	113%
<b>Total</b>	<b>9,006,500,000</b>	<b>(3,010,500,000)</b>	<b>5,996,000,000</b>	<b>6,744,037,247</b>	<b>(748,037,247)</b>	<b>112%</b>
<b>Surplus</b>	-	-	-	<b>629,198,232</b>	<b>(629,198,232)</b>	

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Budget Notes**

**a) Direct Payments-IDA**

The budget was revised downwards towards the end of the financial year while expenditure had already been incurred based on the original budget.

**b) Acquisition of Non-financial assets**

The budget was revised downwards towards the end of the financial year but payments had already been done based on the original budget.

**c) Changes between Original and Final Budget**

The changes between original and final budget were as a result of revision of the budget within the Financial year.

**Budget Reconciliation**

	<b>Description of Particulars</b>	<b>Amount in Kshs</b>
	Actual Surplus Amounts as per the statement of Budget	<b>629,198,232</b>
1	Reason for difference	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	<b>629,198,232</b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**12. Notes to the Financial Statements**

**1. General Information**

The Kenya National Highways Authority is established by and derives its authority and accountability from Roads Act 2007. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the Management, development, rehabilitation and maintenance of national trunk road.

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

The financial statements of the Horn of Africa Gateway Development Project(HoAGDP) have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

**3. Adoption of New and Revised Standards**

**i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.**

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

Standard	Effective date and impact:
	<p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025**

Standard	Effective date and impact:
IPSAS 47- Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
IPSAS 48- Transfer Expenses	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
IPSAS 49- Retirement Benefit Plans	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
IPSAS 50:	<b><i>Applicable 1<sup>st</sup> January 2027</i></b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

Standard	Effective date and impact:
Exploration For & Evaluation of Mineral Resources	<p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity’s financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul> <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>

**iii) Early adoption of standards**

The Project did not early – adopt any new or amended standards in the financial year

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Project and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realized in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

**ii) Revenue from exchange transactions**

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

***HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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

**b) Budget information**

The original budget for FY 2024/2025 was approved by the National Assembly on 28<sup>th</sup> January 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Project upon receiving the respective approvals to conclude the final budget. Accordingly, the Project recorded additional appropriations of Kshs. (3,010,500,000) on the FY 2024/2025 budget following its approval. The Project'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 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 on page 5 under section **II** of these financial statements.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Project recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Project. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Project also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Project will obtain ownership of the asset by

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**  
**Notes to the Financial Statements (Continued)**

the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**e) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**f) Research and development costs**

The Project expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Project can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**g) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Project does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Project's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one Project and a financial liability or equity instrument of another Project. At initial recognition, the Project measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

***HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***  
**Notes to the Financial Statements (Continued)**

***Financial assets***

***Classification***

The Project classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the Project's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless the Project has made an irrevocable election at initial recognition for particular investments in equity instruments.

***Subsequent measurement***

Based on the business model and the cash flow characteristics, the Project classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

***Amortized cost***

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

***Fair value through net assets/ equity***

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

***HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Project manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

**Impairment**

The Project assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Project recognizes a loss allowance for such losses at each reporting date. The project did not have any impairment during the financial year.

***Financial liabilities***

***Classification***

The Project classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**h) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Project.

**i) Provisions**

Provisions are recognized when the Project has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Project expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**Contingent liabilities**

The Project does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**Contingent assets**

The Project does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Project in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**j) Nature and purpose of reserves**

The Project creates and maintains reserves in terms of specific requirements. The Project maintains grants and surplus reserves. The grant reserves are exchequer and development partner funds received from the Government and Development Partners for development of roads. The surplus reserve represents the surplus or deficit of internally generated funds against other project operation expenses and transfers. The exchequer and Development partner funds are capitalized in the statement of financial position. However, the portion of exchequer and development partner funds spent on non-capital items or project expenses is transferred to recurrent transfers and treated as recurrent government and development partner grants and expenditures accordingly.

**k) Changes in accounting policies and estimates**

The Project recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**  
**Notes to the Financial Statements (Continued)**

**l) Employee benefits**

**Retirement benefit plans**

The project does not employ project specific employees hence does not maintain Retirement benefit Plans.

**m) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

**n) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) Related parties**

The Project regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Project, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

**p) Service concession arrangements**

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

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
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**Notes to the Financial Statements (Continued)**

**q) Cash and cash equivalents**

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

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

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

The preparation of the Project financial statements in conformity with IPSAS 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.

**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 Project based its assumptions and estimates on parameters available when the consolidated 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 Project. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

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

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

***HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)***  
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**Notes to the Financial Statements (Continued)**

**Provisions**

There were no provisions made in the financial year.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the Financial Statements**

**6. Revenue Transfers**

<b>Description</b>	<b>FY 2024-2025</b>
	<b>KShs</b>
<b>Unconditional Transfers</b>	
GoK Counter Part funding	-
Road Fuel Maintenance Levy	39,000,000
Bank Interest	69,129,011
<b>Total Unconditional Transfers (a)</b>	<b>108,129,011</b>
<b>Conditional Transfers</b>	
Transfers from Development partner-IDA	6,184,935,691
Deferred Income-IDA	528,194,414
<b>Total Conditional Transfers (b)</b>	<b>6,713,130,105</b>
<b>Total Transfers for the Year (a + b)</b>	<b>6,821,259,116</b>

**(a) Details to Revenue Transfers**

<b>Name of The Entity Transferring</b>	<b>Amount recognized to Statement of Financial performance</b>	<b>Amount deferred under deferred income</b>	<b>Amount moved to Capital fund</b>	<b>Total transfers (FY 2024-2025)</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
GOK Funding	-	-	-	-
Road Fuel Maintenance Levy	37,534,617		1,465,383	39,000,000
Transfers from Development partner-IDA	166,156,997	-	6,018,778,694	6,184,935,691
<b>Subtotal</b>	<b>203,691,614</b>	<b>-</b>	<b>6,020,244,077</b>	<b>6,223,935,691</b>
Deferred Income realized	-	-	528,194,414	528,194,414
Bank Interest	69,129,011	-	-	69,129,011
	<b>69,129,011</b>	<b>-</b>	<b>528,194,414</b>	<b>597,323,425</b>
<b>Total</b>	<b>272,820,625</b>	<b>-</b>	<b>6,548,438,491</b>	<b>6,821,259,116</b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**  
**Notes to the Financial Statements (Continued)**

**7. Miscellaneous revenue**

Description	FY 2024/25
	<b>Kshs</b>
Bank Interest	69,129,011
Deferred Income	-
<b>Total</b>	<b>69,129,011</b>

**8. Use of Goods and Services**

Description	FY 2024/25
	<b>Kshs</b>
Bank charges	224,784
Domestic travel and subsistence	44,825,554
Foreign travel and subsistence	6,188,325
Training payments	151,501,398
<b>Total</b>	<b>202,740,061</b>

**9. Cash and Cash Equivalents**

Description	FY2024/25	1 <sup>st</sup> July
	<b>Kshs</b>	<b>Kshs</b>
Cash in Bank	629,198,232	1,080,170,778
Cash on hand	-	-
<b>Total Cash and Cash Equivalents</b>	<b>629,198,232</b>	<b>1,080,170,778</b>

**Project Bank Accounts**

Details	FY2024/25	1 <sup>st</sup> July 2024
	<b>Kshs</b>	<b>Kshs</b>
<b>Local Currency Accounts</b>		
Kenya Commercial Bank (A/c No.1325804142)	617,505,091	1,076,795,279
Co-operative Bank of Kenya (A/c No 011141160979900)	11,693,141	3,375,499
<b>Total bank account balances</b>	<b><u>629,198,232</u></b>	<b><u>1,080,170,778</u></b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**  
**Notes to the Financial Statements (Continued)**

**10. Receivables**

Description	FY2024/25	1 <sup>st</sup> July 2024
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments	3,433,811,118	5,121,908,871
<b>Total Receivables</b>	<b>3,433,811,118</b>	<b>5,121,908,871</b>

**Ageing analysis for Receivables**

Description	FY2024/25		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
	FY2024/25	% of the Total	FY2023/24	% of the total
Less than 1 year	-	-	-	-
Between 1- 2 years	2,272,295,110	66%	-	-
Between 2-3 years	-	-	5,121,908,871	100%
Over 3 years	1,161,516,008	34%	-	-
<b>Total</b>	<b>3,433,811,118</b>	<b>100%</b>	<b>5,121,908,871</b>	<b>100%</b>

**11. Property, Plant and Equipment**

Cost	Capital Work in progress	Land	Total
	Kshs	Kshs	Kshs
<b>Depreciation rate</b>			
<b>As At 1 July 2024 (opening balances)</b>	<b>6,358,560,686</b>	<b>7,000,000</b>	<b>6,365,560,686</b>
Additions	9,501,989,697	-	9,501,989,697
Disposals	-	-	-
Transfers/Adjustments	-	-	-
<b>As at 30th June 2025</b>	<b>15,860,550,383</b>	<b>7,000,000</b>	<b>15,867,550,383</b>
<b>Depreciation and Impairment</b>			
<b>As at 1 July 2024</b>	-	-	-
Depreciation charge for the year	-	-	-
Impairment loss	-	-	-
Transfers/ Adjustments	-	-	-
<b>As At 30th June 2025</b>	-	-	-
<b>Net Book Values</b>			
<b>As at 1st July 2024</b>	<b>6,358,560,686</b>	<b>7,000,000</b>	<b>6,365,560,686</b>
<b>As at 30th June 2025</b>	<b>15,860,550,383</b>	<b>7,000,000</b>	<b>15,867,550,383</b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**  
**Notes to the Financial Statements (Continued)**

**12. Trade and Other Payables**

Description	FY2024/25		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Road works- Pending Bills	1,251,208,804		640,793,166	
Recurrent payables	7,141,305		-	
<b>Total trade and other payables</b>	<b>1,258,350,109</b>		<b>640,793,166</b>	
<b>Ageing analysis: (Trade and other payables)</b>	<b>FY2024/25</b>	<b>% of the Total</b>	<b>FY2023/24</b>	<b>% of the Total</b>
Under 1 year	1,258,350,109	100%	640,793,166	100%
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	<b>1,258,350,109</b>	<b>100%</b>	<b>640,793,166</b>	<b>100%</b>

**13. Third-Party Deposits**

Description	FY2024/25		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Contractor's Retention	1,081,920,240		426,882,426	
Gratuity	-		-	
<b>Total deposits</b>	<b>1,081,920,240</b>		<b>426,882,426</b>	
<b>Ageing analysis: (Refundable deposits)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	-	-	-
1-2 years	655,037,814	61%	-	-
2-3 years	426,882,426	39%	426,882,426	100%
Over 3 years	-	-	-	-
<b>Total</b>	<b>1,081,920,240</b>	<b>100%</b>	<b>426,882,426</b>	<b>100%</b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**  
**Notes to the Financial Statements (Continued)**

**14. Deferred Income**

Description	FY2024/25	1 <sup>st</sup> July 2024
	Kshs	Kshs
IDA	443,803,876	971,998,290
<b>Total Deferred Income</b>	<b>443,803,876</b>	<b>971,998,290</b>

**Deferred Income Movement Schedule**

	IDA	Total
	Kshs	Kshs
Balance as at 1 <sup>st</sup> July 2024	971,998,290	971,998,290
Revenue Transfers within the year	624,535,114	624,535,114
Transfer to Capital Fund	(972,896,531)	(972,896,531)
Transfers to Performance Statement as Revenue	(166,156,997)	(166,156,997)
Consultants advance payment	(13,676,000)	(13,676,000)
Balance as at 30 <sup>th</sup> June 2025	<b>443,803,876</b>	<b>443,803,876</b>

**15. Cash Generated from Operations**

Description	FY 2024_2025
	Kshs
<b>Surplus/Deficit for the year</b>	<b>70,080,564</b>
<b>Adjusted for:</b>	
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
<b>Working capital adjustments</b>	
Increase in inventory	-
Increase in receivables	
Increase in deferred income	-
Increase in payables	7,141,305
Increase in payments received in advance	-
<b>Net cash flow from operating activities</b>	<b>77,221,869</b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
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**Notes to the Financial Statements (Continued)**

**16. Special Deposit Accounts Movement Schedule**

Description	FY2024/25	FY2023/24
	EURO	EURO
Horn of Africa Gateway Development Project (HoAGDP) Project Credit No. V0630 KE Account No .100352027 Commercial Bank of Africa		
Opening balance	1,473,169	278,217
Total amount deposited in the account	8,707,150	9,103,478
Total amount withdrawn	4,842,894	7,908,526
<b>Closing balance (as per SDA bank account statement attached)</b>	<b>5,337,425</b>	<b>1,473,169</b>

**17. Events after the Reporting Period**

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

**18. Ultimate and Holding Entity**

The Authority is a Semi- Autonomous Government Agency under the Ministry of Roads and Transport. Its ultimate parent is the Government of Kenya.

**19. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Annexes**

**Annex 1: Prior Year Auditor-General's Recommendations**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p><b>Basis for Conclusion</b>  <b>Delay Project Completion</b></p> <p>Review of the financial statement as disclosed in Note 2.7 on the funding summary revealed that the Project period was eight (8) years at funding commitments of Kshs.73,232,977 and Kshs.6,000,000,000 from International Development Bank (Donor) and Government of Kenya (GOK) respectively, all totaling Kshs.79,232,977,110. The Project had drawn Kshs.11,957,602,955 or 15% of the total funding as at 30</p>	<p>We note the audit observation.</p> <p>We wish to note that the Procurement of high value works contracts, which would significantly absorb the funds, suffered significant delays due to the several approval stages they go through.</p> <p>We clarify that upon completion of bid evaluation, the evaluation reports are sent to the World Bank for review and No Objection. Following receipt of the No Objection, a contract exceeding 5 billion shillings is then subjected to the Attorney General's office for clearance in accordance with the law. Each of these steps may take several months to be finalized.</p> <p>We further clarify that Package 2 advance payment was made in June 2024 but commencement of works was delayed because the Contractor's</p>	<p>Not Resolved</p>	<p>Ongoing</p>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>June, 2024 compared with 50% project period elapsed an indication that the Project was behind schedule. Further, an amount of Kshs.1,080,170,778 of the drawn amount had not been utilized as at 30 June, 2024.</p> <p>In the circumstances, the Project may not achieve its objectives and the public may not obtain services expected to accrue from the completed project.</p>	<p>Environmental Social Management Plan was yet to be approved by the World Bank. This has since been approved and works are ongoing</p> <p>In addition, Package 3 contract was awarded which is expected to significantly improve the absorption rate.</p>		

Eng. Luka Kimeli  
 Ag. Director General

Eng. Henry Gakuru  
 Director Development

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
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**Annexes (Continued)**

**Annex 2: Reconciliation of inter-entity transfers**

<b>Project Name:</b>				
<b>Break down of transfers from the State Department of Roads</b>				
<b>a.</b>	<b>Government Counterpart funding</b>			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		<b>Total</b>		
<b>B.</b>	<b>Direct payments</b>			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	-
		<b>Total</b>	-	
<b>C</b>	<b>Others</b>			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	Road Maintenance Fuel Levy-Operations & Administration Funds		39,000,000	FY2024/25
		<b>Total</b>	<b>39,000,000</b>	
		<b>Total (A+B+C)</b>	<b>39,000,000</b>	



Eng. Luka Kimeli  
 Ag. Director General



CPA Isaac Kimani Karumba  
 Ag. Deputy Director-F&A  
 ICPAK No. 3321

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
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**Annexes (Continued)**

**Annex 3: Fixed Asset Register**

<b>Asset class</b>	<b>Historical Cost b/f (Kshs) FY 2023/24</b>	<b>Additions during the year (Kshs)</b>	<b>Disposals during the year (Kshs)</b>	<b>Transfers in/(out) during the year</b>	<b>Historical Cost c/f (Kshs) FY 2024/25</b>
Infrastructure Assets- Roads	6,358,560,686	9,501,989,697	-	-	15,860,550,383
Land	7,000,000	-	-	-	7,000,000
<b>Total</b>	<b>6,365,560,686</b>	<b>9,501,989,697</b>	<b>-</b>	<b>-</b>	<b>15,867,550,383</b>

**HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**  
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**Annexes (Continued)**

**Annex 4: Analysis of Pending Bills**

	Supplier of Goods or Services	Date Contracted/Invoiced	Original Amount	Amount paid to date	Amount transferred to Retention liability	Outstanding Balance	Outstanding Balance	Comments
						2024/2025	2023/2024	
			a	b	c	d=a-b-c		
A	<b>Construction of civil works</b>							
1	China State Construction	04-Jun-24	638,945,143	584,414,210	54,530,933	-	638,945,143	8
2	China State Construction	25-Feb-25	9,166,177	-	-	9,166,177	-	13
3	China State Construction	27-Nov-24	299,339,721	-	-	299,339,721	-	14
4	China State Construction	19-Jun-25	257,854,315	-	-	257,854,315	-	15
5	China State Construction	10-Jun-25	308,875,414	-	-	308,875,414	-	18
6	China State Construction	19-Jun-25	14,552,678	-	-	14,552,678	-	19
7	Egis Kenya Ltd/Egis International JV	03-Jun-25	12,178,131	-	-	12,178,131	-	32
8	Egis Kenya Ltd/Egis International JV	18-Jun-25	13,482,735	-	-	13,482,735	-	33
9	Egis Kenya Ltd/Egis International JV	03-Jun-25	12,624,502	-	-	12,624,502	-	32
10	Egis Kenya Ltd/Egis International JV	18-Jun-25	12,168,673	-	-	12,168,673	-	33
11	Longjian Road and Bridge Company Ltd	11-Apr-25	254,710,028	-	-	254,710,028	-	2

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12	Kyong Dong Engineering Co. Ltd/Kiri Consult Ltd	12-Jun-25	18,973,159	-	-	18,973,159	-	15
13	Catholic Diocese of Isiolo/ KANCO	27-May-25	14,534,489	-	-	14,534,489	-	6
14	Africa Waste and Environment Management Centre (AWEMAC)	27-May-25	8,691,000	-	-	8,691,000	-	2
15	Eng. Mellese Yimam	05-Jun-25	670,846	-	-	670,846	-	13
16	Isabella Kambua Munandi	13-Jun-25	508,000	-	-	508,000	-	9
17	Isabella Kambua Munandi	12-Jun-25	634,000	-	-	634,000	-	10
18	Bubicha Mohamed Jaldesa	28-May-25	480,000	-	-	480,000	-	12
19	Mohamed Ahmed Mohamed	05-Jun-25	345,715	-	-	345,715	-	16
20	Mohamed Ahmed Mohamed	18-Jun-25	415,715	-	-	415,715	-	17
21	Malik Adan Roba	05-Jun-25	512,000	-	-	512,000	-	18
22	Malik Adan Roba	12-Jun-25	400,000	-	-	400,000	-	19
23	Hafsa Hussein	05-Jun-25	612,000	-	-	612,000	-	18
24	Hafsa Hussein	05-Jun-25	500,000	-	-	500,000	-	19
25	Stephen Elvis Akilimali	05-Jun-25	650,000	-	-	650,000	-	23
26	Stephen Elvis Akilimali	12-Jun-25	613,140	-	-	613,140	-	24
27	Imano Karu Guleid	12-Jun-25	680,000	-	-	680,000	-	18
28	Imano Karu Guleid	12-Jun-25	680,000	-	-	680,000	-	19
29	Abdukadir Mohamed Hussein	25-Jun-25	640,000	-	-	640,000	-	10

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30	Abdukadir Mohamed Hussein	05-Jun-25	640,000	-	-	640,000	-	11
31	Abdukadir Mohamed Hussein	12-Jun-25	640,000	-	-	640,000	-	12
32	Eng. Thadaeus Oluoch Ondiege	05-Jun-25	872,099	-	-	872,099	-	8
33	Eng. Thadaeus Oluoch Ondiege	12-Jun-25	939,184	-	-	939,184	-	9
34	Tache Bonsa Gollo	18-Jun-25	677,300	-	-	677,300	-	21
35	KRA	30-May-25	99,761	-	-	99,761	-	
	<b>Sub-total</b>		<b>1,888,305,924</b>	<b>584,414,210</b>	<b>54,530,933</b>	<b>1,249,360,781</b>	<b>638,945,143</b>	
	<b>B Supply of goods</b>		-			-	-	
1	Gibb Africa	30-Jun-22	1,848,023	-	-	1,848,023	1,848,023	5
	<b>Sub-total</b>		<b>1,848,023</b>	-	-	<b>1,848,023</b>	<b>1,848,023</b>	
	<b>C Reccurrent</b>							
1	Johnbow Tours and Travel Ltd	17-Feb-25	39,500	-		39,500	-	JB2025-02-25
2	Johnbow Tours and Travel Ltd	18-Mar-25	39,500	-		39,500	-	JB2025-03-42
3	Johnbow Tours and Travel Ltd	17-Feb-25	39,500	-		39,500	-	JB2025-02-53
4	Johnbow Tours and Travel Ltd	17-Feb-25	39,500	-		39,500	-	JB2025-02-54
5	Johnbow Tours and Travel Ltd	17-Feb-25	39,500	-		39,500	-	JB2025-02-52
6	Johnbow Tours and Travel Ltd	17-Feb-25	39,500	-		39,500	-	JB2025-02-56

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7	Johnbow Tours and Travel Ltd	17-Feb-25	39,500	-	-	39,500	-	JB2025-02-01
8	Splash World Ltd	13-Feb-25	39,950	-	-	39,950	-	39100
9	Splash World Ltd	13-Feb-25	39,950	-	-	39,950	-	39101
10	Splash World Ltd	13-Feb-25	39,950	-	-	39,950	-	39105
11	Splash World Ltd	13-Feb-25	39,950	-	-	39,950	-	39104
12	Splash World Ltd	13-Feb-25	39,950	-	-	39,950	-	39003
13	Beyond Travel Services Ltd	03-Jun-25	1,838,195	-	-	1,838,195	-	INV-1030
14	Derwen Travel and Tours	20-Feb-25	2,452,400	-	-	2,452,400	-	02/25789
15	Africa Bliss Travel Limited	18-Oct-24	39,750	-	-	39,750	-	INV-3341
16	Gelian Hotel Machakos	30-Nov-24	244,000	-	-	244,000	-	5061
17	Wren Tours & Travel	10-Apr-25	1,851,810	-	-	1,851,810	-	10106
18	Fly Beyond Africa Ltd	25-Apr-25	238,900	-	-	238,900	-	2654
	<b>Subtotal</b>		<b>7,141,305</b>	<b>-</b>	<b>-</b>	<b>7,141,305</b>	<b>-</b>	
	<b>Total</b>		<b>1,897,295,252</b>	<b>584,414,210</b>	<b>54,530,933</b>	<b>1,258,350,109</b>	<b>640,793,166</b>	

