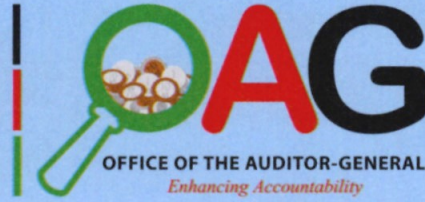


REPUBLIC OF KENYA



REPORT

DATE: 24 FEB 2026

DAY.

Tuesday

PARLIAMENT
OF KENYA
LIBRARY

TABLED
BY: **OF**

Deputy Leader Majority Party
Hon. Owen Baya, MP

CLERK-AT
TABLE:

Mr. Benson Inzofu

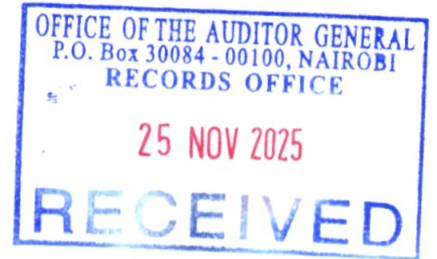
THE AUDITOR-GENERAL

ON

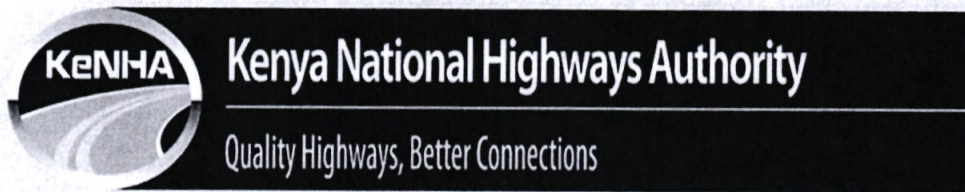
**HORN OF AFRICA GATEWAY DEVELOPMENT
(ISIOLO-MANDERA CORRIDOR: EL
WAK - RHAMU ROAD UPGRADING)**

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

KENYA NATIONAL HIGHWAYS AUTHORITY



MINISTRY OF ROADS AND TRANSPORT



**PROJECT NAME: MULTINATIONAL HORN OF AFRICA ISIOLO – MANDERA
CORRIDOR: EL WAK – RHAMU ROAD UPGRADING PROJECT**

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT CREDIT NUMBERS: 2100150042744 & 21002500005152

PROJECT ID: P-Z1-DBO-249

ANNUAL REPORT FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30th JUNE 2025**

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

***Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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1. Acronyms and Definition of Terms

| | |
|-------|--|
| ADF | African Development Fund |
| AfDB | African Development Bank |
| CBK | Central Bank of Kenya |
| CPA | Certified Public Accountant |
| EIA | Environmental Impact Assessment |
| EIK | Environmental Institute of Kenya |
| ENG. | Engineer |
| F&A | Finance and Accounts |
| FY | Financial Year |
| GK | Government of Kenya |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards |
| JKIA | Jomo Kenya International Airport |
| KeNHA | Kenya National Highways Authority |
| KISM | Kenya Institute of Supplies and Management |
| Kshs. | Kenya Shillings |
| NEMA | National Environment Management Authority |
| PAPs | Project Affected Persons |
| PFM | Public Finance Management. |
| PSASB | Public Sector Accounting Standards Board |
| SDG | Sustainable Development Goals |
| TNT | National Treasury |
| UA | Unit of Account |

2. Project Information and Overall Performance

2.1 Name and registered office

Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project

Objective:

The Project road traverses on of the marginalized, relatively undeveloped, arid areas of Kenya with relatively high levels of poverty among the communities and insecurity incidences. The existing road is in a poor condition resulting in long travel time when traversing the region and ultimately high transport costs.

The specific objectives of the Project are therefore to improve road transport services along the corridor by reducing travel time and vehicle operating costs and to improve road traffic safety along the road

Address: Barabara Plaza
Jomo Kenyatta International Airport (JKIA) off Mazao Road
Nairobi Kenya

Contacts:
Director General
Kenya National Highways Authority
Po Box 49712-00100
Nairobi
Telephone: (254) 020 495000
E-mail: dg@Kenha.co.ke
Website: www.kenha.co.ke

2.2 Project Information

| | |
|----------------------|--|
| Project Start Date: | 9 th May 2022 |
| Project End Date: | 30 th June 2027 |
| Project Coordinator: | Eng. Cleophas Makau |
| Project Sponsors: | <ol style="list-style-type: none"> 1. African Development Fund (ADF) 2. African Development Bank (AfDB) 3. Government of Kenya (GK) |

2.3 Project Overview

| | |
|---|--|
| Line Ministry/State Department of the project | The project is under the supervision of State Department for Roads in the Ministry of Roads & Transport |
| Project number | P-Z1-DB0-249 |
| Strategic goals of the project | The strategic goals of the project are as follows: - (i) To reduce travel time for commercial & public service vehicles |

**Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

| | |
|---|--|
| | <p>(ii) To enhance road safety (iii) To promote regional trade (iv) To enhance socio economic standards of the community along and around the project area.</p> <p>The specific objectives of the project are as follows:</p> <p>(i) Reduce travel times and costs (ii) Increase road safety to reduce death and serious injury to all road users</p> |
| <p>Summary of Project Strategies for achievement of strategic goals</p> | <p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> • The project management aims to achieve the strategic goals through implementation of the project in a timely, efficient and effective manner |
| <p>Other important background information of the project</p> | <p>The Project has seven (7) components namely;</p> <ol style="list-style-type: none"> 1. Civil Works: The component will include civil works for construction of single carriageway road 7.0m wide with 2.0m shoulders on each side to bitumen standard in two lots, from El Wak to Gari (74 km, Lot 1) and from Gari to Rhamu (68 km, Lot 2). It will also include construction of 0.6km of Gari Town loop, 3.8km Rhamu Town loop, flood mitigation measures, provision for the security management plan, provision of a virtual axle load weighing station and construction of about 5 km of access roads. 2. Socio Economic Infrastructure: This component includes the upgrading/rehabilitation of socio-economic infrastructures in water, health, education, and livestock within the different sub-counties along the Project road. 3. Project Implementation, Monitoring and Supervision: This component will include: (i) Construction supervision services for Lot 1 Civil Works including a study in flood management measures for El Wak Town; (ii) Construction supervision services for Lot 2 Civil Works; (iii) Baseline survey and monitoring of environmental, climate change and socio-economic impacts; (iv) HIV/AIDS, STIs, Gender, Reproductive Health, and COVID-19 Awareness and Sensitization campaigns; (v) Project Technical Audit; (vi) Management of Social Risks Associated with Civil Works and Community Outreach Activities; (vii) Consultancy services for Security Liaison Officer; and (viii) Feasibility, ESIA, RAP and Detailed Engineering Design Studies of two road projects.. 4. Facilitation of Regional Integration, Trade and Transport: This component will include (i) Trade and Transport Facilitation Study and rollout; and (ii) Strengthening of Rapid Response Unit at El Wak to improve border management, enhance corridor security and facilitate trade. 5. Enhancement of Road Safety: This component includes: (i) Road Safety Audit and Road Safety Awareness and Sensitization Campaigns; (ii) Enhancement of National Transport Safety Authority (NTSA) Motor Vehicle Inspection Centre at Garissa; and (iii) supporting GoK's Motorcycle "bodaboda" Safety Initiatives by training motorcycle |

**Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

| | |
|--|--|
| | <p>trainers.</p> <p>6. Capacity Building and Institutional Strengthening: This component will include: (i) Skills development of Unemployed Youth in the Project area; (ii) Capacity Building of Project Implementation and Supervisory Staff; (iii) Enhancement of Road Traffic Data Management by developing Road Traffic Survey Management System; (iv) Assessment of participation of domestic civil engineers in the implementation of transport projects.</p> <p>7. Compensation and Resettlement: This component makes provision for the compensation of Project Affected Persons (PAPs) identified in the Project Resettlement Action Plan (RAP) report.</p> |
| Areas that the project was formed to intervene | <p>The project was formed to intervene in the following problems/gaps: Promote regional economic integration by enhancing the development of regional trade between Ethiopia, Kenya and the COMESA countries.</p> <ul style="list-style-type: none"> i) Improve transport in Kenya and other counties in the region. ii) Integrate the Kenya ASAL region with the rest of the country, in the administrative, economic and social context. iii) Improve accessibility and mobility to markets and other socio-economic infrastructure for the population in North-eastern region of Kenya. iv) Improve security along the corridor through improvement of response times to security breaches. |
| Project duration | The Project is expected to run for five (5) years |

- 2.4** Co-operative Bank of Kenya
Upper Hill Branch
Nairobi.
- National Bank of Kenya
Hill Branch
Nairobi.
- Kenya Commercial Bank
JKIA Branch
Nairobi

2.5 Independent Auditor

The project is audited by the Auditor-General.

**Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

2.6 Roles and Responsibilities

List of the people working on the project.

| No | Names | Title designation | Key qualification | Responsibilities |
|----|-----------------------|--|--|--|
| 1 | Eng. Henry Gakuru | Director-Development | Registered Engineer | Project Implementing Team Leader |
| 2 | Eng. Cleophas Makau | Deputy Director-Special Projects | Registered Engineer | Project Engineer |
| 3 | Mr. Walter Nyatwang'a | Deputy Director-Environment & Social Interests | NEMA Lead Expert, Member-EIK | Project Environment & Social Safeguards Specialist |
| 4 | Ms. Norah Odingo | Deputy Director-Legal Services | Advocate of the High Court of Kenya | Project Legal Specialist |
| 5 | CPA. Chanje Kera | Deputy Director-Finance & Accounts | Certified Public Accountant of Kenya | Project Financial Specialist |
| 6 | Mr. Richard Kilel | Assistant Director-Supply Chain Management | Registered Supply Management Professional (KISM) | Project Procurement Specialist |

2.7 Funding summary

The Project is for a duration of 5 years from May 2022 to June 2027 with an approved budget of UA 157,110,000 equivalent to Kshs. 24,215,796,990 as highlighted in the table below:

A. Source of Funds

| Source of funds | Donor Commitment- | | Amount received to date – (30.06.2025) | | Undrawn balance to date (30.06.2025) | |
|-------------------------------|--------------------|-----------------------|--|-------------------|--------------------------------------|-----------------------|
| | UA | Kshs | UA | Kshs | UA | Kshs |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i) Loans | | | | | | |
| ADF | 100,000,000 | 15,383,900,000 | 195,312 | 33,254,650 | 99,804,688 | 15,350,645,350 |
| AfDB | 53,000,000 | 8,153,467,000 | | | 53,000,000 | 8,153,467,000 |
| (ii) Counterpart funds | | | | | - | - |
| Government of Kenya | 4,110,000 | 678,429,990 | 80,833 | 10,967,408 | 4,029,167 | 667,462,582 |
| Total | 157,110,000 | 24,215,796,990 | 276,145 | 44,222,058 | 156,833,855 | 24,171,574,932 |

*Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

B. Application of Funds

| Application of funds | Amount received to date - (30.06.2025) | | Cumulative Amount paid to date - (30.06.2025) | | Unutilised balance to date - (30.06.2025) | |
|-------------------------------|---|-------------------|---|-------------------|--|------------------|
| | UA | Kshs | UA | Kshs | UA | Kshs |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i) Loans | | | | | | |
| ADF | 195,312 | 33,254,650 | 195,312 | 33,254,650 | - | - |
| AfDB | - | - | - | - | - | - |
| (ii) Counterpart funds | | | | | | |
| GK | 80,833 | 10,967,408 | 80,833 | 7,504,135 | - | 3,463,273 |
| Total | 276,145 | 44,222,058 | 276,145 | 40,758,785 | - | 3,463,273 |

2.8 Summary of Overall Project Performance:

(i) Budget performance against actual amounts for current year and for cumulative to-date: -

| Budget | FY 2024/2025 | | | Cumulative | | |
|--|--------------------|-------------------|------------|--------------------|-------------------|-----------|
| | Budget | Actual | % | Budget | Actual | % |
| | Kshs | Kshs | | Kshs | Kshs | |
| Counterpart Funds - GK | 967,408 | 967,408 | 100% | 10,967,408 | 10,967,408 | 100% |
| Loan from External Development Partners | | | | | | |
| ADF | 100,000,000 | 27,208,350 | 27% | 700,000,000 | 33,254,650 | 5% |
| Total | 100,967,408 | 28,175,758 | 28% | 710,967,408 | 44,222,058 | 6% |

(ii) Physical progress based on outputs, outcome and impacts since project commencement: -

There was no physical progress as at 30th June 2025 as one of the two works contractor was unable to perform the contract. However, the second contract has been awarded and works expected to commence before the end of the year 2025.

(iii) Performance rate for each year since the commencement of the project

| Financial Year | Budget | Actual | Percentage (%) |
|----------------|--------------------|-------------------|----------------|
| FY 2022/2023 | 300,000,000 | - | - |
| FY 2023/2024 | 310,000,000 | 16,161,300 | 5% |
| FY 2024/2025 | 100,967,408 | 28,175,758 | 28% |
| Total | 710,967,408 | 44,337,058 | 6% |

2.9 Summary of Project Compliance:

There are no significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants, which have been reported.

3. Statement of Performance Against Project's Predetermined Objectives

Introduction

Section 81(2) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national/county government entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the project's agreement/ plan are to: -

- a) To improve road transport services along the corridor by reducing travel time and vehicle operating costs
- b) To improve road traffic safety along the road
- c) To promote regional trade
- d) To improve socio-economic standards of surrounding communities along and around the project.

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:

| Objective | Outcome | Indicator | Performance |
|---|---|---|------------------------------|
| To improve road transport services along the corridor | Reduced travel time and vehicle operating costs | <ul style="list-style-type: none"> • Travel time for heavy commercial trucks and PSVs between El Wak and Rhamu • Average composite vehicle operating cost | Project at procurement stage |
| To improve road traffic safety along the road | Enhanced road safety | Reduced road traffic accidents/crashes | Project at procurement stage |
| To promote regional trade | Increased regional trade | Kenya's average value of trade with Ethiopia and Somalia | Project at procurement stage |

4. Environmental and Sustainability Reporting

The Project's strategy on environment and sustainability focuses on the areas highlighted below: -

i) Sustainability strategy and profile

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the people and their 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 proposed Project Road has been classified by AfDB as Category 1 due to the potential disruption of livelihoods likely to be experienced during construction.

The Authority is working towards ensuring environmental sustainability in projects by undertaking tree planting exercises, implementation of road beautification programs, enforce reinstatement of quarries

,Environmental and Sustainability Reporting (Continued)

and borrow pits after construction works, undertake regular Environmental Impact Assessment (EIA) Audits, carry out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental and Social Impact Assessment (ESIA) audit on the project.

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.

iv) Market place practices

The Authority strives to ensure responsible competition practices through open competitive bidding on procurement of its project contractors and consultants. Additionally, the Authority undertakes 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.

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 Participations. 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 will also be encouraged to give back to society by participating in the Authority's corporate social responsibility initiatives.

To achieve inclusive growth among the community around the project area, the project has a component of training of unskilled unemployed youth around the project area. To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross-cutting issues.

5. Statement of Project Management Responsibilities

The Director General, KeNHA and the Project Implementation Team Leader 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 and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Implementation Team Leader 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 International Public Sector Accounting Standards.

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


The Director General, KeNHA and the Project Implementation Team Leader 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 were 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 Project on 27 AUG 2023 and signed by ;



Eng. Luka Kimeli
Ag. Director General



Eng. Henry Gakuru
Director-Development



REPORT OF THE AUDITOR-GENERAL ON HORN OF AFRICA GATEWAY DEVELOPMENT (ISILO-MANDERA CORRIDOR: EL WAK - RHAMU ROAD UPGRADING) FOR THE YEAR ENDED 30 JUNE, 2025 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

The three parts of the report 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 (Isiolo-Mandera Corridor: EL Wak - Rhamu Road

Report of the Auditor-General on Horn of Africa Gateway Development (Isiolo-Mandera Corridor: EL Wak - Rhamu Road Upgrading) for the year ended 30 June, 2025 - Kenya National Highways Authority

Upgrading) - KENHA set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2025 and the statement of statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Horn of Africa Gateway Development (Isiolo-Mandera Corridor: EL Wak - Rhamu Road Upgrading) - KENHA 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 Agreements Nos: 2100150042744 and 21002500005152 between the African Development Bank (AfDB) and Africa Development Fund (ADF) and the Republic of Kenya and the Public Finance Management Act, 2012;and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

In addition, the special accounts statements present fairly, transactions for the year, and the closing balance have 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 the Horn of Africa Gateway Development (Isiolo-Mandera Corridor: EL Wak - Rhamu Road Upgrading) - KENHA 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 amount of Kshs.100,967,408 and an amount of Kshs.28,175,758 respectively resulting to an under-funding totalling to Kshs.72,791,650 or 72% of the budget.

Similarly, the project spent an amount of Kshs.34,596,985 against an approved budget amount of Kshs.100,967,408 resulting to under-expenditure totalling to Kshs.66,370,423 or 66% of the budget.

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

2. Low Absorption of Project Funds

Review of the financial statements and as disclosed in Note 2.2 on Project Information and Note 2.7 on Funding Summary the project period was for five (5) years from 9 May, 2022 to 30 June, 2027 at a funding commitment amounts of Kshs.23,537,367,000 and Kshs.678,429,990 from Development Partners (Donors) and Government of Kenya (GoK) respectively all totaling Kshs.24,215,796,990. However, the project had drawn only an amount of Kshs.44,222,058 or 0.18% of the committed funds with time lapse of four years or 60% as at 30 June, 2025. This is an indication of very low drawings against time taken.

In the circumstances, the credit may lapse without being fully utilized and the Project's planned deliverables not completed.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Unresolved Prior Year Matters

In the prior year audit report, two issues were raised under the Emphasis of Matter and Other matter. These include budgetary control and performance and low absorption of Project funds. Review of the status during audit of the project in 2024/2025 revealed that the matters 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 conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Financing Agreements Nos:2100150042744 and 21002500005152 between the Government of Kenya and the African Development Fund (ADF) and the African Development Bank (AfDB) respectively, 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 Agreements 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


*Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

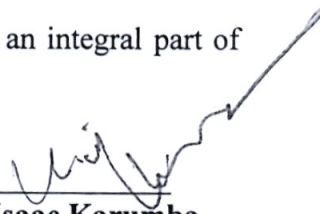
7. Statement of Financial Performance for the Year Ended 30th June 2025.

| | Notes | FY 2024/2025 |
|--|-------|--------------------|
| | | Kshs |
| Revenue | | |
| Revenue Transfers | 6 | 0 |
| | | 0 |
| Miscellaneous Revenue | | 0 |
| | | 0 |
| Revenue Transfers | | 0 |
| Miscellaneous Revenue | | 0 |
| Total revenue | | 0 |
| | | |
| Expenses | | |
| Employee costs | | 0 |
| Use of goods and services | 7 | 6,421,227 |
| Depreciation and amortization expense | | 0 |
| Transfer to other Government Entities | | 0 |
| Other Transfers/Subsidies/Grants | | 0 |
| Certified Works | | 0 |
| Total expenses | | 6,421,227 |
| Other gains/(losses) | | |
| Gain/Loss on sale of assets | | 0 |
| Gain/Loss on foreign exchange transactions | | 0 |
| Impairment loss | | 0 |
| Surplus/ (deficit) | | (6,421,227) |

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

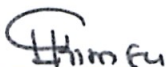

CPA Isaac Karumba
Ag. Deputy Director (F&A)
ICPAK Member No. 3321

*Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

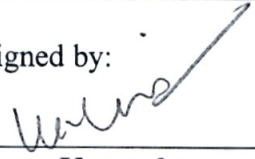
8. Statement of Financial Position as at 30th June 2025

| | Note | FY 2024/2025 | 1 Jul 2024 |
|----------------------------------|------|-------------------|-------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash equivalents | 8 | 3,463,273 | 9,884,500 |
| Receivables | | - | - |
| Inventories | | - | - |
| Prepayment | | - | - |
| Total Current Assets | | 3,463,273 | 9,884,500 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 9 | 38,575,394 | 7,013,708 |
| Intangible Assets | | - | - |
| Total Non- Current Assets | | 38,575,394 | 7,013,708 |
| Total Assets (a) | | 42,038,667 | 16,898,208 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 10 | 4,353,336 | 967,408 |
| Third Party Deposits | | - | - |
| Other Payables | | - | - |
| Deferred Income | | - | - |
| Total Current Liabilities | | 4,353,336 | 967,408 |
| Total Liabilities (b) | | | |
| Net Assets (a-b) | | 37,685,331 | 15,930,800 |
| Represented By: | | | |
| Capital Grants | | 34,222,058 | 6,046,300 |
| Accumulated Surplus | | 3,463,273 | 9,884,500 |
| Total Net Assets | | 37,685,331 | 15,930,800 |

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


Eng. Luka Kimeli
Ag. Director General


Eng. Henry Gakuru
Director-Development

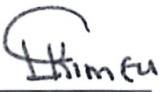

CPA Isaac Karumba
Ag. Deputy Director (F&A)
ICPAK Member No. 3321

9. Statement of Changes in Net Assets


| Description | Accumulated Surplus | Capital Grants | Net Assets |
|---|---------------------|-------------------|--------------------|
| | Kshs | Kshs | Kshs |
| As at 30th June 2024 (Cash Basis) | 9,884,500 | | 9,884,500 |
| | | | - |
| <i>Adjustments:</i> | | | - |
| WIP Recognition | | 7,013,708 | 7,013,708 |
| Liabilities recognition | | (967,408) | (967,408) |
| As at 1st July 2024 | | 6,046,300 | 6,046,300 |
| | | | - |
| Grants for the year | | 28,175,758 | 28,175,758 |
| Surplus/(Deficit) for the year | (6,421,227) | | (6,421,227) |
| | | | - |
| As at 30th June 2025 | 3,463,273 | 34,222,058 | 37,685,331 |

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 Karumba
Ag. Deputy Director (F&A)
ICPAK Member No. 3321

Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project

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

10. Statement of Cash flows for the year ended 30th June 2025

| Description | Note | FY 2024/2025 |
|---|-------------|---------------------|
| | | Kshs |
| Cashflow from operating activities | | |
| Receipts | | |
| Revenue Transfers | | |
| Miscellaneous Revenue | | |
| | | |
| | | |
| Total receipts | | |
| | | |
| Payments | | |
| Employee costs | | |
| Use of goods and services | | 6,421,227 |
| Transfer to other Government Entities | | |
| Other Transfers/Subsidies/Grants | | |
| Certified Works | | |
| Total payments | | 6,421,227 |
| Net cash flow from operating activities | 11 | (6,421,227) |
| | | |
| Cashflow from investing activities | | |
| Acquisition of non-financial assets | | (28,175,758) |
| Proceeds from sale of Assets | | |
| Acquisition of Intangible assets | | |
| | | |
| Net cash flows from investing activities | | (28,175,758) |
| | | |
| Cash flow from financing activities | | |
| Capital Grants | | 28,175,758 |
| Net cash flow from financing activities | | 28,175,758 |
| | | |
| Net increase/Decrease in cash and cash equivalents | | (6,421,227) |
| Cash and cash equivalent at 1st July 2024 | 8 | 9,884,500 |
| Cash and cash equivalent at end June 2025 | 8 | 3,463,273 |

*Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project
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 30th 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 | |
| <i>Budget Carry Overs from previous periods</i> | | | | 9,884,500 | | |
| Receipts | | | | | | |
| Bridge Finance | - | 967,408 | 967,408 | 967,408 | - | 100% |
| African Development Fund | 2,000,000,000 | (1,900,000,000) | 100,000,000 | 27,208,350 | 72,791,650 | 27%* |
| | | - | | | | |
| Total Revenue | 2,000,000,000 | (1,899,032,592) | 100,967,408 | 28,175,758 | 72,791,650 | 28% |
| | | - | | | | |
| Payments | | | | | | |
| Employee costs | | | | | | |
| Use of goods and services | | | | 6,421,227 | (6,421,227) | ** |
| Transfer to other Government Entities | | - | | | - | |
| Other Transfers/Subsidies/Grants | | - | | | - | |
| Acquisition of Non financial assets | - | 967,408 | 967,408 | 967,408 | - | 100% |
| Payments in Kind ADF | 2,000,000,000 | (1,900,000,000) | 100,000,000 | 27,208,350 | 72,791,650 | 27%* |
| Total Payments | 2,000,000,000 | (1,899,032,592) | 100,967,408 | 34,596,985 | 66,370,423 | 34% |
| Surplus | | | | 3,463,273 | | |

*Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

*Works will commence in the coming financial year

**The use of goods and services were paid by budget brought forward

Budget Reconciliation

| | Description of Particulars | Amount in Kshs |
|---|---|----------------|
| | Actual Surplus Amounts as per the statement of Budget | 3,463,273 |
| 1 | third-party funds such as contractors' retention.) | - |
| | | |
| | Closing Cash and Cash Equivalent as per the statement of Cash flows | 3,463,273 |

**Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road
Upgrading Project**
Annual Report and Financial Statements For the financial year ended June 30, 2025

12. Notes to the Financial Statements

1. General Information

Kenya National Highways Authority entity is established by and derives its authority and accountability from the Kenya 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 development, rehabilitation, management, and maintenance of all national trunk roads comprising Classes S, A, and B roads.

2. Statement of Compliance and Basis of Preparation

The financial statements for Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road Upgrading Project have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

Guiding note during the transition period:

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33, and therefore these 1st year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the entity has taken advantage of the transition provisions outlined in IPSAS 33. (entity to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).

These financial statements were authorized for issue by the accounting officer on 27 AUG 2025

3. Adoption of New and Revised Standards

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

| Standard | Effective date and impact: |
|-----------------|--|
| IPSAS 43 | <p><i>Applicable 1st January 2025</i></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><i>The Project does not expect these amendments to have a material impact on its operations or financial statements.</i></p> |

**Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road
Upgrading Project**

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

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards (Continued)

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

| | |
|---|--|
| <p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p> | <p><i>Applicable 1st January 2025</i></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> <p><i>The Project does not expect these amendments to have a material impact on its operations or financial statements</i></p> |
| <p>IPSAS 45-Property Plant and Equipment</p> | <p><i>Applicable 1st January 2025</i></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><i>The Project does not expect these amendments to have a material impact on its operations or financial statements</i></p> |
| <p>IPSAS 46 Measurement</p> | <p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the</p> |

**Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road
Upgrading Project**

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

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards (Continued)

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

| | |
|--|--|
| | <p>current operational value.</p> <p><i>The Project does not expect these amendments to have a material impact on its operations or financial statements</i></p> |
|--|--|

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><i>Applicable 1st January 2026</i></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><i>The Project does not expect these amendments to have a material impact on its operations or financial statements</i></p> |
| IPSAS 48- Transfer Expenses | <p><i>Applicable 1st January 2026</i></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><i>The Project does not expect these amendments to have a material impact on its operations or financial statements</i></p> |
| IPSAS 49- Retirement Benefit Plans | <p><i>Applicable 1st January 2026</i></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><i>The Project does not expect these amendments to have a material impact on its operations or financial statements</i></p> |

**Multinational Horn of Africa Isiolo – Manderu Corridor: El Wak – Rhamu Road
Upgrading Project**
Annual Report and Financial Statements For the financial year ended June 30, 2025

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards (Continued)

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

| Standard | Effective date and impact: |
|--|--|
| IPSAS 50: Exploration For & Evaluation of Mineral Resources | <p><i>Applicable 1st January 2027</i></p> <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"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. 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. 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. <p><i>The Project does not expect these amendments to have a material impact on its operations or financial statements</i></p> |

iii) *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

Notes to the Financial Statements (Continued)

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 entity 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 realised 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.

b) Budget information

The original budget for FY 2024/2025 was approved by the Board 28th 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 entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of *Multinational Horn of Africa Isiolo – Mendera Corridor: El Wak – Rhamu Road Upgrading Project* on the FY 2024/2025 budget following the Council/ Board's approval. The entity'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 pages 4 and 5 under section II of these financial statements.

5. Summary of Significant Accounting Policies (Continued)

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 entity 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.

The Capitalised assets shall be depreciated once the closure report is finalised.

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. 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 Entity 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 Entity will obtain ownership of the asset by 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.

4. Summary of Significant Accounting Policies (Continued)

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity 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 entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity 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.

Financial assets

Classification

The entity 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 entity'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

**Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road
Upgrading Project**

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

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies (Continued)

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 an entity 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 entity 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.

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 entity 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.

4. Summary of Significant Accounting Policies (Continued)

Impairment

The entity 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 entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

The entity 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.

Notes to the financial statements

Inventories (Continued)

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

i) Provisions

Provisions are recognized when the *Entity* 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 *Entity* 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

4. Summary of Significant Accounting Policies (Continued)

performance net of any reimbursement.

Contingent liabilities

The *Entity* 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 *Entity* 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 *Entity* 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 *Entity* creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted*).

k) Changes in accounting policies and estimates

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

Notes to the financial statements

l) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually

4. Summary of Significant Accounting Policies (Continued)

on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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 *Entity* 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

4. Summary of Significant Accounting Policies (Continued)

Notes to the financial statements

p) Service concession arrangements

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

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 *Entity's* 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 Entity 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 Entity. 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 Entity.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road Upgrading Project.

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.

(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road
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 Annual Report and Financial Statements For the financial year ended June 30, 2025
 Notes to the Financial Statements (Continued)

6. Revenue Transfers

| Description | FY 2024/2025 |
|---|-------------------|
| | KShs |
| Unconditional Transfers | |
| GoK Counter Part funding | - |
| Transfers from Development partners | - |
| <i>Bridge Finance</i> | 967,408 |
| Total Unconditional Transfers (a) | 967,408 |
| Conditional Transfers | |
| African Development Fund | 27,208,350 |
| | |
| Total Conditional Transfers (b) | 27,208,350 |
| Total Transfers for the Year (a + b) | 28,175,758 |

a) Details to Revenue Transfers

| Name of The Entity Transferring | Amount recognized to Statement of Financial performance | Amount deferred under deferred income. | Amount moved to Capital fund | FY 2024/2025 |
|---------------------------------|---|--|------------------------------------|-------------------|
| | Kshs | Kshs | Kshs | Kshs |
| Bridge Finance | - | | 967,408 | 967,408 |
| Subtotal | - | - | 967,408 | 967,408 |
| Deferred Income realized | | | | - |
| Transfers in Kind ADF | | | 27,208,350 | 27,208,350 |
| Total | - | - | 28,175,758 | 28,175,758 |

7. Use of Goods and Services

| De scription | FY 2024/25 |
|---------------------------------|------------------|
| c | Kshs |
| Advertisements | 802,327 |
| Domestic travel and subsistence | 5,618,900 |
| Total | 6,421,227 |

**Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road
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Notes to the Financial Statements (Continued)

8. Cash and Cash Equivalents

| Description | FY 2024/2025 | 1st July |
|--|------------------|------------------|
| | Kshs | Kshs |
| Cash in Bank | 3,463,273 | 9,884,500 |
| Cash on hand | | |
| <i>Others (Specify)</i> | | |
| Total Cash and Cash Equivalents | 3,463,273 | 9,884,500 |

Project Bank Accounts

| Details | FY 2024/2025 | 1st July 2024 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Foreign Currency Accounts | | |
| Total Foreign Currency balances | = | = |
| Local Currency Accounts | | |
| National Bank of Kenya Ltd Retention [A/c No. 01001032733200] | - | - |
| Co-operative Bank of Kenya Exchequer [A/c No. 01141160979900] | 3,463,273 | 9,884,500 |
| Kenya Commercial Bank Bridge Finance [A/c No1274695775] | - | |
| <i>Others (specify)</i> | | |
| Total local currency balances | <u>3,463,273</u> | <u>9,884,500</u> |
| Total bank account balances | <u>3,463,273</u> | <u>9,884,500</u> |

**Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road
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Notes to the Financial Statements (Continued)

9. Property, Plant and Equipment

| Cost | | Capital Work in progress |
|---|--|--------------------------------|
| | | Kshs |
| Depreciation rate | | |
| As At 1 July 2024 (opening balances) | | 7,013,708 |
| Additions | | 31,561,686 |
| Disposals | | - |
| Transfers/Adjustments | | - |
| As at 30th June 2025 | | 38,575,394 |
| Depreciation And Impairment | | |
| As at 1 July 2025 | | - |
| Depreciation charge for the year | | - |
| Impairment loss | | - |
| Transfers/ Adjustments | | - |
| As At 30th June 2025 | | - |
| Net Book Values | | |
| As at 1st July 2024 | | 7,013,708 |
| As at 30th June 2025 | | 38,575,394 |

10. Trade and Other Payables

| Description | FY 2024/2025 | | 1 st July 2024 | |
|--|-------------------|-----------------------|---------------------------|-----------------------|
| | Kshs | | Kshs | |
| Trade payables | 4,353,336 | | 967,408 | |
| Employee payables | | | | |
| <i>Other payables (specify)</i> | | | | |
| Total trade and other payables | 4,353,336 | | 967,408 | |
| Ageing analysis: (Trade and other payables) | Current FY | % of the Total | Comparative FY | % of the Total |
| Under one year | 4,353,336 | 100% | 967,408 | 100% |
| 1-2 years | - | 0% | - | 0% |
| 2-3 years | - | 0% | - | 0% |
| Over 3 years | - | 0% | - | 0% |
| Total (tie to above total) | 4,353,336 | | 967,408 | |

**Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road
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Annual Report and Financial Statements For the financial year ended June 30, 2025

Notes to the Financial Statements (Continued)

11. Cash Generated from Operations

| Description | FY 2024/2025 |
|--|--------------|
| | Kshs |
| Surplus/Deficit for the year | (6,421,227) |
| Adjusted for: | |
| Depreciation | |
| Non-cash grants received | |
| | |
| Impairment | |
| Gains and losses on disposal of assets | |
| Working capital adjustments | |
| Decrease/(Increase) in inventory | - |
| Decrease/(Increase) in receivables | - |
| Increase/(Decrease) in deferred income | - |
| Increase/(Decrease) in payables | |
| Increase/(Decrease) in payables | |
| Net cash flow from operating activities | (6,421,227) |

12. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

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

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Notes to the Financial Statements (Continued)

Other related parties include:

- i) Kenya Roads Board

| Description | FY 2024/2025 |
|---|----------------|
| | Kshs |
| b) Grants /transfers from the government | - |
| Grants from Kenya Roads Board | 967,408 |
| Grants from county government | - |
| Donations in kind | - |
| Total | 967,408 |

13. Events after the Reporting Period

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

14. Ultimate And Holding Entity

The Entity is a State Corporation under the Ministry of Road and Transport. Its ultimate parent is the Government of Kenya.

15. Currency

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

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16. Annexes

Annex 1: Prior Year Auditor-General’s Recommendations

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status | Timeframe |
|--|---|---|--------|-----------|
| | <p>Emphasis of Matter Budgetary Control and Performance The statement of comparison of budgeted and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.310,000,000 and Kshs.16,046,300 respectively resulting to an under-funding of Kshs.293,953,700 or 95% of the budget. However, the Project spent an amount of Kshs.6,161,800 against actual receipts of Kshs.16,046,300 resulting to an under-utilization of Kshs.9,884,500 or 62% of the actual receipts. The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.</p> | <p>We note the audit observation that the statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.310,000,000 and Kshs.16,046,300 respectively resulting to an under-funding of Kshs.293,953,700 or 95% of the budget. We however wish to clarify that budget under-funding of Kshs.293,953,700 with respect to proceeds from borrowings receipts however does not constitute under-funding as the payments are made by the Development Partner directly on behalf of the entity upon request in form of certified works and services rendered by the Project’s contractor and consultants. We further clarify that the reason for the delay in project implementation is attributed to insecurity in the Project region. However, provision of adequate security has since been guaranteed by the Multi Agency Security Committee as stipulated in the Project’s Security Management Plan and an Order to Commence issued on 22nd July 2024 for some of the works. In addition, the budget underutilization difference</p> | Noted | |

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15. Annexes (Continued)

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status | Timeframe |
|--|--|---|--------------|-----------|
| | | of Kshs.9,884,500 relates to counterpart funding (GoK) before the insecurity situation was addressed as outlined above. The Project is expected to gain momentum in the current financial year and the under-utilized amount will be absorbed as activities relating to the Project are undertaken | | |
| | <p>Other Matter</p> <p>Low Absorption of Project Funds Review of the financial statements and as disclosed in Note 2.7 on Funding Summary indicates that the Project period was five (5) years at funding commitments of Kshs.23,537,367,000 and Kshs.678,429,990 from the development partners (Donor) and Government of Kenya (GOK) respectively, all totalling Kshs.24,215,796,990. However, the Project had drawn only an amount of Kshs.16,046,300 or 0.07% of the total commitment as at 30 June, 2024 compared to 40% of the Project period which had elapsed an indication of very low Project funds absorption.</p> <p>In the circumstances, the credit may lapse without being fully utilized and the Project's</p> | <p>We note the audit observation.</p> <p>We wish to clarify that the reason for the delay in project implementation is attributed to insecurity in the Project region. However, provision of adequate security has since been guaranteed by the Multi Agency Security Committee as stipulated in the Project's Security Management Plan and an Order to Commence issued on 22nd July 2024 for some of the works.</p> <p>Henceforth, the project implementation is expected to gain momentum and measures taken to regain lost time including seeking an Extension of Time from the Development partner.</p> <p>We note the audit observation and wish to note that that the Project's planned deliverables earmarked for completion will be realized as adequate security has since been guaranteed and</p> | Not Resolved | Ongoing |

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15. Annexes (Continued)

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status | Timeframe |
|--|---|--|--------|-----------|
| | planned deliverables earmarked for completion with the funding may not be realized. | <p>therefore the works will progress without disruption.</p> <p>Lot 1: El Wak-GariThe Contractor had notified the Employer of his inability to commence the works due to non-clearance by the Chinese Government as a result of the heightened insecurity situation at the project location.</p> <p>Lot 2: Gari-Rhamu Works contract awarded and expected to commence by September 2025.</p> | | |



Eng. Luka Kimeli
 Ag. Director General



Eng. Henry Gakuru
 Director-Development

Multinational Horn of Africa Isiolo – Mandera Corridor: El Wak – Rhamu Road Upgrading Project

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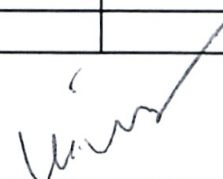
15. Annexes (Continued)

Annex 2: Reconciliation of inter-entity transfers

| Multinational Horn of Africa Isiolo-Mandera Corridor: El Wak-Rhamu Road Upgrading Project | | | |
|--|--|----------------------|---------------------------------------|
| | | | |
| | Break down of Transfers from the State Department for Roads | | |
| A. Government Counterpart Funding | | | |
| | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | <u>FY to which the amounts relate</u> |
| | 29-Apr-25 | 967,408 | FY 2024/2025 |
| | Total | 967,408 | |
| B. Direct Payments | | | |
| | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | |
| | 12-Nov-24 | 9,069,450 | FY 2024/2025 |
| | 19-Nov-24 | 18,138,900 | FY 2024/2025 |
| | Total | 27,208,350 | |
| C. Others | | | |
| | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | |
| | | | |
| | Total | | |
| | Total (A+B+C) | 28,175,758 | |



Eng. Luka Kimeli
Ag. Director General



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

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15. Annexes (Continued)

ANNEX 3: Loan from Development Partner-ADF-Received as Direct Payment

| Date | Description | Category | Contract | Reference | Amount in Kshs | UAC: Loan Currency Amount |
|-------------|---|-----------------|-----------------|--------------------------------------|-----------------------|----------------------------------|
| 12/11/2024 | Elwak-Rhamu 002 (AfDB Kshs) | ADF-Consultancy | Basline Survey | PV 94592 WA 002 FN 002 (AfD Kshs) | 9,069,450 | 53,473 |
| 19/11/2024 | El Wak-Rhamu(Baseline Survey) 003 (AfDB Kshs) | ADF-Consultancy | Basline Survey | PV 94612 WA003 FN003 (AfD Kshs) | 18,138,900 | 106,946 |
| | | | | | 27,208,350 | 160,419 |

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15. Annexes (Continued)

Annex4: Fixed Asset Register

| Asset class | Historical Cost b/f (Kshs) 2024/2025 | Additions during the year (Kshs) | Disposals during the year (Kshs) | Transfers in/(out) during the year | Historical Cost c/f (Kshs) 2024/2025 |
|------------------------|---|---|---|---|---|
| Infrastructure Assets- | 7,013,708 | 31,561,686 | - | - | 38,575,394 |
| Total | 7,013,708 | 31,561,686 | - | - | 38,575,394 |

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15. Annexes (Continued)

Annex 5: Analysis of Pending Bills-Controlled by the Entity

| Date Invoiced | Contractor/Consultant | Balance | Payments | Additional | Brought Forward | Original Amount |
|----------------------|------------------------------|------------------|-------------------|-------------------|------------------------|------------------------|
| | | (Kshs) | (Kshs) | (Kshs) | (Kshs) | (Kshs) |
| 10 Apr 2024 | Francis Allen Consulting Ltd | - | 967,408 | | 967,408 | 967,408 |
| 12 Nov 2024 | Francis Allen Consulting Ltd | - | 9,069,450 | 9,069,450 | - | 9,069,450 |
| 12 Nov 2024 | Francis Allen Consulting Ltd | 1,451,112 | - | 1,451,112 | - | 1,451,112 |
| 19 Nov 2024 | Francis Allen Consulting Ltd | - | 18,138,900 | 18,138,900 | - | 18,138,900 |
| 19 Nov 2024 | Francis Allen Consulting Ltd | 2,902,224 | - | 2,902,224 | - | 2,902,224 |
| | | 4,353,336 | 28,175,758 | 31,561,686 | 967,408 | 32,529,094 |