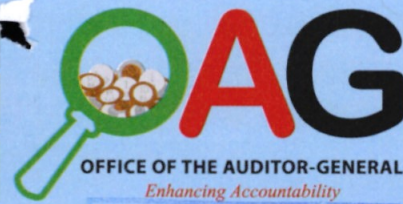


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



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| THE NATIONAL ASSEMBLY PAPERS LAID | |
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| CLEAR AT THE TABLE: | MERCI CHUMO |

REPORT

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ON

**LAPSSET CORRIDOR DEVELOPMENT
AUTHORITY**

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



LAPSSET CORRIDOR
DEVELOPMENT AUTHORITY



2024-2025

ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH, JUNE 2025

Prepared in accordance with the Accrual Basis of Accounting Method
under the International Public Sector Accounting Standards (IPSAS)

| TABLE OF CONTENTS | Page |
|---|-------------|
| 1. ABBREVIATIONS | II |
| 2. KEY LAPSSET CORRIDOR DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT | III |
| 3. THE BOARD OF DIRECTORS | XI |
| 4. MANAGEMENT TEAM | XVI |
| 5. CHAIRMAN'S STATEMENT | XVII |
| 6. REPORT OF THE CHIEF EXECUTIVE OFFICER | XXI |
| 7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025..... | XXX |
| 8. CORPORATE GOVERNANCE STATEMENT | XXXIII |
| 9. MANAGEMENT DISCUSSION AND ANALYSIS | XXXIX |
| 10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING | XLIII |
| 11. REPORT OF THE DIRECTORS..... | XLIX |
| 12. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES | L |
| 13. REPORT OF THE INDEPENDENT AUDITORS ON THE AUTHORITY (LCDA)..... | LI |
| 14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 TH , JUNE 2025 ... | 1 |
| 15. STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2025 | 2 |
| 16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 TH JUNE 2025..... | 3 |
| 17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH , JUNE 2025..... | 4 |
| 18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 TH JUNE 2025..... | 5 |
| 19. NOTES TO THE FINANCIAL STATEMENTS | 6 |
| 20. APPENDIX | 29 |

1. ABBREVIATIONS

| | |
|---------|---|
| AfDB | African Development Bank AfDB |
| CSI | Corporate Social Investment |
| DBSA | Development Bank of Southern Africa |
| DfID | Department for International Development. |
| EIA | Environment Impact Assessment |
| ESIA | Environmental and Social Impact Assessment |
| FEED | Front End Engineering Design |
| FY | Financial Year |
| IFRS | International Financial Reporting Standards |
| IGAD | Intergovernmental Authority on Development |
| IPSAS | International Public Sector Reporting Standards |
| JDA | Joint Development Agreement |
| LAPSSET | Lamu Port South Sudan Ethiopia Transport |
| LCDA | LAPSSET Corridor Development Authority |
| LCP | LAPSSET Corridor Program |
| MDAs | Ministries, Departments and Agencies |
| MTBS | Maritime Transport Business Solution |
| NEMA | National Environmental Management Authority |
| NEPAD | New Partnership for Africa's Development |
| PFM | Public Finance Management |
| PPMT | Pipeline Project Management Team |
| PSASB | Public Sector Accounting Standards Board |
| SEA | Strategic Environmental Assessment |
| SEZ | Special Economic Zone |
| SKETS | Support to Kenyan Energy and Transport Sector |
| TA | Transactional Advisor |
| TEU | Twenty-Foot Equivalent Unit |
| UNECA | United Nations Economic Commission for Africa |
| WWF | World Wildlife Fund |
| ASAL | Arid and Semi-Arid areas |

2. KEY LAPSSET CORRIDOR DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT

(a) Background Information

The LAPSSET Corridor Development Authority (LCDA) is a State Corporation established pursuant to a Presidential Order, LAPSSET Corridor Development Authority Order, 2013 as per the Kenya Gazette Supplement No. 51, Legal Notice No. 58 of March 2013. The Authority is domiciled in the Ministry of Roads and Transport, State Department for Transport with Headquarters in Nairobi.

The Authority is mandated with overseeing the implementation of the LAPSSET Corridor Program (LCP) which is a regional multi-modal infrastructure Program linking Kenya with the neighboring States of the Federal Democratic Republic of Ethiopia and the Republic of South Sudan. The LCP components are: -

- i. Inter-regional Highways from Lamu - Garissa - Isiolo, Isiolo – Lodwar - Juba (South Sudan), Isiolo to Moyale and Addis Ababa (Ethiopia);
- ii. Inter-regional Standard Gauge Railway lines from Lamu to Isiolo, Isiolo to South Sudan (Kenya/South Sudan border) and Juba (South Sudan), Isiolo to Moyale (Kenya/Ethiopia border) and Addis Ababa (Ethiopia), and Nairobi to Isiolo;
- iii. Crude Oil Pipeline from Lamu to Isiolo, Isiolo to Juba (South Sudan);
- iv. Product Oil Pipeline from Lamu - Isiolo - Moyale (Kenya) and Moyale to Addis Ababa (Ethiopia);

The other LAPSSET Corridor Program components as defined in the vision 2030, Kenya's long-term Development Plan include: -

- i. Lamu Port at Manda Bay consisting of 23 Deep Sea Berths;
- ii. International Airports at Lamu, Isiolo, and Turkana;
- iii. Resort Cities at Lamu, Isiolo and Turkana;
- iv. Merchant Oil Refinery at Lamu;
- v. High Grand Falls Multipurpose Dam;
- vi. Fiber Optic Cables and Communication Systems

(b) Principal Activities

The Mandate of LCDA is to Plan, Coordinate, and Sequence the implementation of the LAPSSET Corridor Program. These project components are implemented by different government Ministries, Departments, and Agencies (MDAs). LCDA plays a pivotal role in providing effective leadership in their implementation and timely execution. LCDA, therefore, undertakes cross-cutting and overarching roles by bringing together the Implementing Agencies and stakeholders to create synergies and ensure the projects are synchronized.

The Authority further plays a significant role in guiding policy, mobilizing resources as well as Monitoring and Evaluation (M&E) of the program components. Besides the fore stated, the

Authority provides operational and technical oversight for the LAPSSET Corridor program to ensure the different Agencies deliver on their mandate. This mandate is derived from the Authority's functions as stipulated below: -

- i. To Plan, Coordinate, and Sequence the LAPSSET Corridor projects in collaboration with the implementing Ministries and Agencies;
- ii. To Coordinate implementation of LAPSSET Corridor projects across implementing Ministries and Agencies;
- iii. To Provide leadership, direction, and guidance in operations and implementation of the LAPSSET Corridor;
- iv. To ensure timely implementation of the decisions and resolutions of the government;
- v. To Mobilize funds for project components using a variety of resources including budgetary resources from government, donor loans, infrastructure bonds, and private finance;
- vi. In collaboration with the relevant National and County government departments, to build the capacity of LAPSSET Corridor towns to manage the urban growth resulting from LAPSSET Corridor investments;
- vii. To Promote the competitiveness and use of the LAPSSET Corridor for the transport of goods and people; and
- viii. To Provide a forum for the stakeholders in the LAPSSET Corridor.

Who are we

A state corporation established vide the Presidential Order, LAPSSET Corridor Development Authority Order, 2013 contained in the Kenya Gazette Supplement No. 51, Legal Notice No. 58 of March 2013.

Our Vision

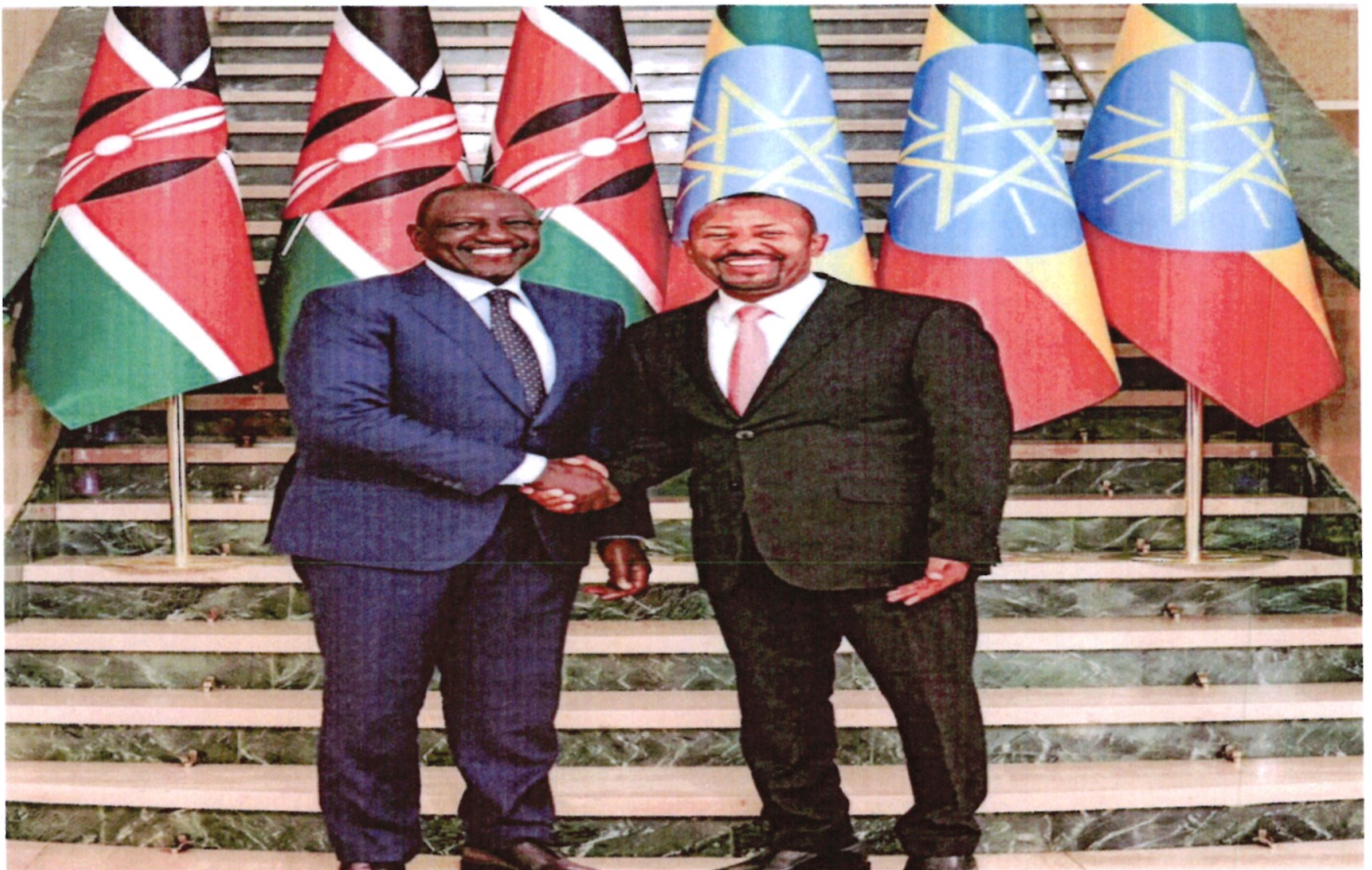
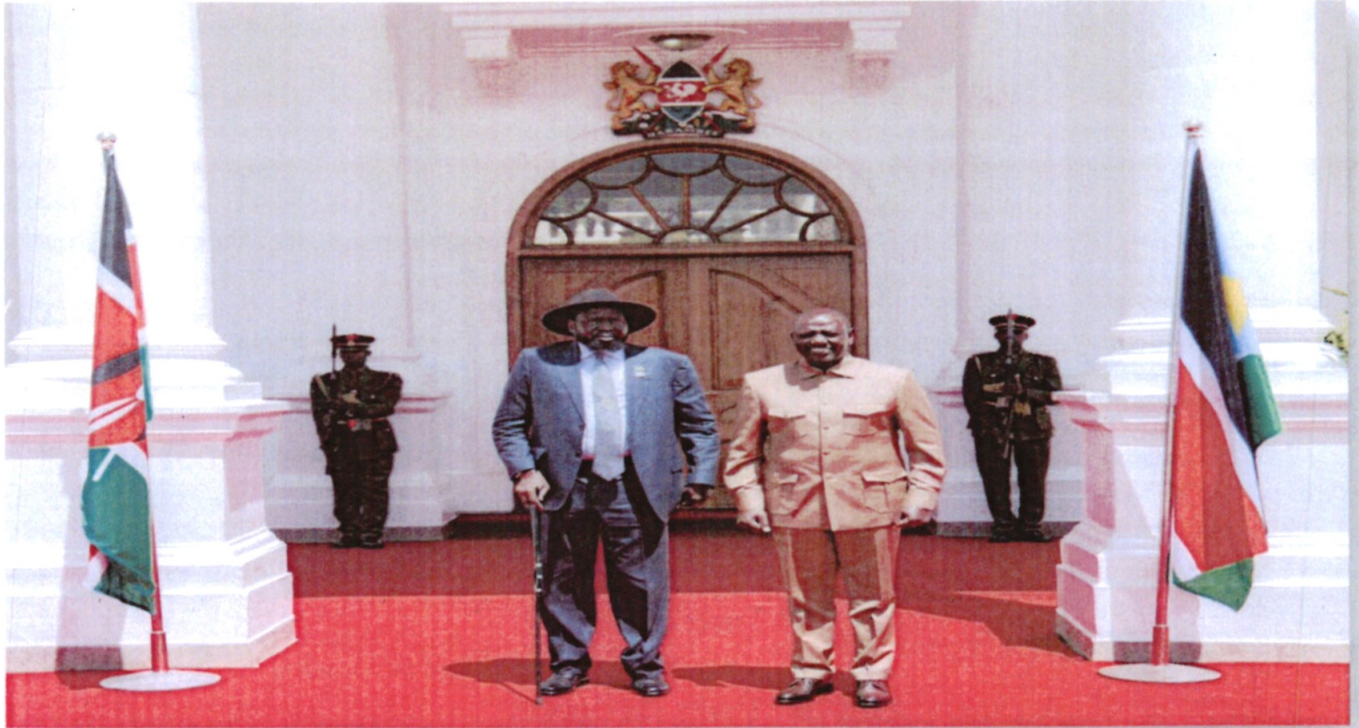
A premier institution in delivery of a vibrant LAPSSET Corridor with world class transformative and game changer infrastructure.

Our mission

To provide effective and efficient leadership in the delivery of transformative and game changer infrastructure in the LAPSSET Corridor.

Core values

- Integrity
- Sustainability and Public Participation
- Equity and Equality
- Commitment and Teamwork
- Innovation



(c) Key Management

The LCDA day-to-day management is under the following key organs:

- i. Board of Directors;
- ii. Director-General/CEO;
- iii. Management; and
- iv. Fiduciary Management

(d) Fiduciary Management

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

| # | Name | Designation |
|----|------------------|-----------------------------------|
| 1. | Stephen Ikua | Director-General/CEO |
| 2. | Alexander Mativo | Director Administration |
| 3. | Benard Oluoch | Accounts & Finance Manager |
| 4. | Abdi O. Farah | Head Of Corporate & Communication |

(e) Fiduciary Oversight Arrangements

The following fiduciary arrangements were in place during the 2024/2025 Financial Year.

| COMMITTEE | MEMBERSHIP | RESPONSIBILITIES |
|--|---|--|
| Finance, Human Resource & Administration Committee | <ul style="list-style-type: none"> Hon Anwar Loiptip – Chairperson Hon Nasra Ibrahim - Member Abdikahiya Maalim - Member Principal Secretary / Alternate - The National Treasury Dr. Duncan Hunda, alternate to PS State Department for Transport, Ministry of Roads and Transport Stephen Ikua – Secretary | <ul style="list-style-type: none"> Oversee the preparation of the LCDAs budget. Review the LCDA’s annual budget before submission and after approval by the National Treasury; Review quarterly Financial Monitoring Reports (FMR); Review periodic operational budgets and financial statements; Monitor the continuing efficacy of accounting and internal control; Comply with the Government financial management regulations; Monitor the performance of key finance and accounts staff against approved performance contracts; Oversee the annual procurement plans including the externally funded projects; Recruit and develop of staff of LCDA; Monitor and appraise the performance of senior management, review human resource policies, determining the remuneration of senior management, and other staff. |
| Audit Committee | <ul style="list-style-type: none"> Jeremiah Apalia - Chairperson Arch Shadrack Tulon - Member Principal Secretary / Alternate -The National Treasury Principal Secretary / Alternate -State Department of Energy Mr. James Ogal, Head of Internal Auditor– Secretary | <ul style="list-style-type: none"> Monitor the implementation of the risk management policy framework; Monitor and ensure timely implementation of recommendations of various fiduciary oversight responsibilities, including internal and external auditors, Government project monitoring agencies, and externally funded projects’ periodic review and supervision missions; Oversee continuing efficacy of accounting and internal control standards, policies, and practices; |

| COMMITTEE | MEMBERSHIP | RESPONSIBILITIES |
|-----------|------------|---|
| | | <ul style="list-style-type: none">• Ensure compliance with legal covenants of Development Partners funding agreement on projects by them; and• Monitor the performance of key internal audit staff against approved performance contracts. |

(f) Entity Headquarters

**P.O Box 45008-00100
Chester House, 2nd Floor,
Koinange Street
Nairobi, Kenya.**

(g) Entity Contacts

**Telephone: (254)-02-20-2219098
E-mail: dg@LAPSSET.go.ke
Website: www.LAPSSET.go.ke**

(h) Entity Bankers

**Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 30081-00100
Nairobi, Kenya.**

**Co-operative Bank of Kenya
Parliament Road
P.O Box 5772-00200
Nairobi, Kenya.**

**National Commercial Bank of Africa
(NCBA)
NCBA House, Masaba Road
P.O Box 44599-00100
Nairobi, Kenya.**

**Stanbic Bank Kenya
Lion Place, Waiyaki Way
P.O Box 72833-00200
Nairobi, Kenya.**

(i) Independent Auditors

**Auditor General
Office of Auditor General
Anniversary Towers University way
P. O. Box 30084
GPO 00100
Nairobi Kenya**

(j) Principal Legal Adviser

**The Attorney General
Office of Attorney General
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya**

3. THE BOARD OF DIRECTORS



Hon. Ali Menza Mbogo

Hon. Ali Menza Mbogo is the Chairman, Board of Directors of LCDA. He was formerly Member of Parliament; National Assembly representing Kisauni Constituency and served as a Member of Lands Committee in 12th Parliament.

He served in the position of General Manager of African Gas and Oil Limited (AGOL). He also served as the Managing Director of One Petroleum Limited. Hon Ali Menza was also a Manager in Hydrocarbons and Economics at Kenya Petroleum Refineries Limited. He was a Director of Supply, Pricing and Operations at Pentoil Petroleum Limited as well as the Manager of Supply, Planning and Operations at Mafuta Products Limited.

Hon. Ali Menza Mbogo also served at the position of Operations Manager at Somken Petroleum Company Limited and served as the Manager of Supply and Logistics, Engen (K) Limited.

A politician, public policy aficionado and an accomplished professional with over twenty-five years of diversified



Mr. Mohamed Daghar

Mr. Mohamed Daghar is the Principal Secretary, State Department for Transport in the Ministry of Roads and Transport appointed on 2nd November 2022. Mr. Mohamed is a holder of BA International Relations from United States International University, Kenya, Masters in Peace, Conflict and Development studies from Universität Jaume I, Spain. As the Principal Secretary in charge of Transport, he is a member of the Executive Committee of the Northern Corridor Transit and Transport Coordination Authority (NCTTCA). He has wealth of experience in safety and security matters.



Mr. Alex K. Wachira

Mr. Alex K. Wachira is the Principal Secretary of State Department for Energy. He Head Of Corporate & Communication joined the State Department for Energy with a wealth of experience from the private sector where he worked in different sectors as an investment banker. His latest assignment was with Faida Investment Bank where he traded and structured Treasury bonds and Corporate bonds at the Nairobi Stock Exchange (NSE). Other assignments include working with Dyer & Blair Investment Bank and Genghis Capital limited in the same capacity. He was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers (KASIB). His contribution to the Bond's market saw him being appointed to the Central Depository Project at the Central Bank of Kenya (CBK). In 2021, the project dealt in government securities worth 900 billion, the highest turnover ever in Kenya. He launched his career in the financial sector after participating in the issuance of the Safaricom IPO in 2008 where he interned. He had prior completed a Bsc Degree course from the University of Nairobi. At Campus, he served as the Secretary General NUNSA and Treasurer for the Confederation of Medical Students Association. He is currently pursuing an MA in Leadership at Pan African Christian University. A strong believer in servant leadership through community engagement



Dr. Chris K. Kiptoo, PhD, CBS

Dr. Chris Kiptoo is the Principal Secretary, National Treasury. He was appointed Principal Secretary on 1st December 2022. Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he had also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives. Dr. Chris Kiptoo holds a Doctor of Philosophy Degree (PhD) in Finance (International Macroeconomics Finance specialization) from The Nairobi University, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organisational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa. Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister. He is an Accredited Fellow in



Arch. Shadrack Tulon

Arch. Shadrack Tulon is the chairman of Lands Committee, He is also a principal of Tego Arch systems. He is a registered architect with the Board of Registration of Architect and Quantity Surveyors (BORAQS) as a member of the Architectural Association of Kenya. Arch. Shadrack holds a Bachelor of Architecture (Hons) from Jomo Kenyatta University of Agriculture and Technology. He served as chairman of Uasin Gishu county management Board NLC between 2014-2016.

(National land commission)



Jeremiah Apalia Lomari

Jeremiah Apalia Lomari is the Chairman of Audit Committee. He was the Chief officer in the office of the Governor where he was incharge of developing county profiles and coordinating county development programmes/activities. He previously worked as an Economic Advisor. He holds a masters of arts in economics at university of Nairobi as well as bachelor of arts Economics and statistics from Egerton university. His objective is to be a distinguished economist in policy formulation, budgeting and planning various aspects of the economy.



ABDIKAHIYA NOOR MAALIM

Mr Abdikahiya Noor is a member of the Committee on Finance Administration and Human Resource Management appointed on 10th March 2023.

He is a Managing Director of Salan Company Limited, before he was a manager Uptown Food Limited.



Mr. John Ololtuaa

Mr. John Ololtuaa is the Principal Secretary of State Department for Tourism in the ministry of Tourism, Wild Life, Culture and Heritage. He is in charge of Tourism Promotion, policy formulation, and Development of the Tourism industry in Kenya. He is a transformative leader who believes in the ideals of strategic management and high standards of professionalism, transparency, integrity, and accountability. He holds Bachelor of Education (Arts) Degree and a Masters Degree in Education Administration both from Kenyatta University.



Hon. Anwar Loiptip

Hon. Anwar Loiptip is the Chairman of the Board Committee for Finance Administration and Human Resource Management. He is a former Senator for Lamu County. He is also a senior consultant at Maritime and Blue Economy. He holds Bachelor's Degree in international tourism and hotel management, at Kampala International university in he as well practiced practical science at University of Nairobi.



Hon. Nasra Ibrahim Ibren

Nasra Ibrahim Ibren, is the Chairperson of planning and Strategy Committee, she holds a global executive masters in business administration from the United States international university-Africa and a masters from Khartoum International institute of Arabic language. Ms Ibren served as a none executive director at Kenya Reinsurance corporation and Ewasonyiro north development authority between 2013-2017 and prior to that she held various management position in the education sector. She is Known for mentoring, guiding and counselling young girls in her community She has successfully supported empowerment projects, linking women and youth groups to development funds from the government and encouraging them to set up sustainable businesses.



Stephen Ikua

DIRECTOR GENERAL/CEO

He is the Director General/CEO & Secretary to the Board of Directors. He holds an MBA-alongside other disciplines attained locally and internationally.He is a seasoned Public servant.Until his appointment to LCDA, Mr. Ikua served as the in-charge of Administration in the Ministry of East African Community and Liaison officer for South Sudan relations.He also served as the Project Manager for Thwake Dam Multi-ourpose project

He has a vast experience in Governance, Security.In his line as an administrator,he served in several Counties among them,Counties relating to the LAPSSET Corridor Project

4. MANAGEMENT TEAM



Stephen Ikua

DIRECTOR GENERAL/CEO

Holds Masters Degree in Business Administration

Has Over 32 years in the Public Service.



Alexanser Mativo

Director Administration

Holds BA (Sociology)

Has Over 30 years of Experience in the public sector



Bernard Oluoch

Head of Finance and Accounts

Holds MSC- Finance & Investment and CPA (K)

Has Over 20 years of experience in both public and private sector



Abdi O. Farah

Head of Corporate & Communication

Holds MSC- Project Planning and Management

Has Over 25 years of experience in both Public and Private Sector

5. CHAIRMAN'S STATEMENT



Implementing and operating the LAPSSET Corridor continue to contribute to realization of the Bottom-up Economic Transformation Agenda (BETA) objectives.

INTRODUCTION

It's with great honour that I present the LAPSSET Corridor Development Authority Annual Report and Financial Statements for the year ending 30th June, 2025.

The financial year 2024/2025 marked the mid-term year of implementing the Authority's Strategic Plan 2023-2027. This is the year when the Authority is reviewing its performance over the first half of the Plan period, picking lessons learnt and charting a revised path for the remaining period of the Strategic Plan.

The Strategic Plan focused on five key result areas: Planning and Securing LAPSSET Corridor; Integrated LAPSSET Corridor Coordination; Resource Mobilization; Promotion and Publicity; and Institutional Strengthening. The annual report and financial statements for the reporting period, provide an overview of the Authority's

performance and utilization of financial resources over the period.

As we celebrate the milestones and progress achieved in the implementation of the LAPSSET Corridor Program (LCP), it is important to reflect on the pivotal role this transformative initiative continues to play in advancing our national development aspirations, as envisioned in Kenya's Vision 2030.

The Authority is mandated to coordinate the development of Kenya's second strategic economic and transit corridor, originating from the coastline at Lamu and traversing vast regions of Northern and North Eastern Kenya. The conceptualization of the LCP was rooted in a visionary understanding of the intrinsic link between infrastructure development and economic empowerment. As such, the Program was deliberately designed to incorporate multi-modal infrastructure components—including roads, railway, airports, and pipelines—alongside strategic economic enablers such as industrial zones, resort cities, and supporting utilities.

Reflecting on the achievements of the year under review, I am particularly encouraged by the tangible progress and the growing impact of the LCP. The ongoing implementation of project components is unlocking economic potential, enhancing connectivity with the partners states, and facilitating investment across regions that have historically been underserved and other parts of the Country. The transformation is not only evident but also affirming the strategic importance of the LAPSSET Corridor in shaping a more

inclusive and prosperous future for our country.



The President in the tour of Port of Lamu accompanied by the Governor of Lamu, women Rep area MP and the Director General-LAPSSSET Corridor Development Authority.

Revenue

During the year under review, the Authority received **Kshs 648.4Million** from The National Treasury which is slight increase from the previous financial years. The Authority also had the Grant provided by the African Development Bank for the Transaction Advisory (TA) consultancy for the Port of Lamu and Lamu Special Economic Zone (SEZ) extended.

Further partnerships were explored with the State Department of Petroleum in facilitating

land acquisition processes for 834 Kms long and 500 meters wide section from Lokichar - Lamu. Equally, we recognize the generous support that was extended by the Economic Commission for Africa (ECA) in supporting the hosting of the 4th LAPSSSET Regional Ministerial council in collaboration with the partner states of Federal Republic of Ethiopia and Republic of South Sudan

PROGRESS OF THE LAPSSSET CORRIDOR PROGRAM

During the year under review, the Authority continued to plan and coordinate the implementation of LAPSSSET Corridor Program in collaboration with implementing Ministries, Departments and Agencies (MDAs).

It is satisfying to note that the Authority's coordination efforts during the reporting period led to a significant increase in operational activity at the Port of Lamu, as well as enhanced utilization of the broader LAPSSSET Corridor.

This progress was largely driven by effective stakeholder engagement, robust public participation, and a whole-of-government approach in line with constitutional requirements. These collaborative efforts played a pivotal role in unlocking implementation bottlenecks, enabling more efficient and effective delivery of critical infrastructure projects.

To strengthen collaboration with implementing Agencies, the Authority spearheaded the convening of Inter-Agencies Technical Committee meetings. This coordination forum has enhanced strategic decision-making among LAPSSSET implementing agencies.

In respect to the road infrastructure component, the Authority continued to witness progress. The Lamu–Ijara–Garissa Road section reached a completion rate of 45.59% as of 30th June 2025, and Garissa–Isiolo section achieved a 42.60% completion rate by the end of the reporting period. These strategic missing links in the LAPSSET road network remain a priority, as their completion will significantly shorten the travel distance between the Port of Lamu and the inland markets, thereby improving the port's competitiveness and marketability. Additionally, other critical sections such as the Lokichar–Nakodok road, has greatly transformed infrastructure in Turkana County, enhancing mobility, trade, and access to services in the region.

To ensure the realization of the LAPSSET Corridor Program's broader goals of regional integration and socio-economic transformation, the Authority intensified efforts towards establishment of Regional coordination mechanism. A key highlight was the successful hosting of the 4th LAPSSET Regional Ministerial Council Meeting in Lamu, conducted in collaboration with partner states and other key stakeholders. This forum reaffirmed regional commitment and advanced dialogue on coordinated implementation of cross-border infrastructure projects.

Corporate Social Investments

The LAPSSET Presidential Scholarship programme aimed at conferring Lamu youth with the capacities, skills and competencies has faced challenges in sustaining its implementation. During the period under review, the Authority initiated engagements with The National Treasury for the

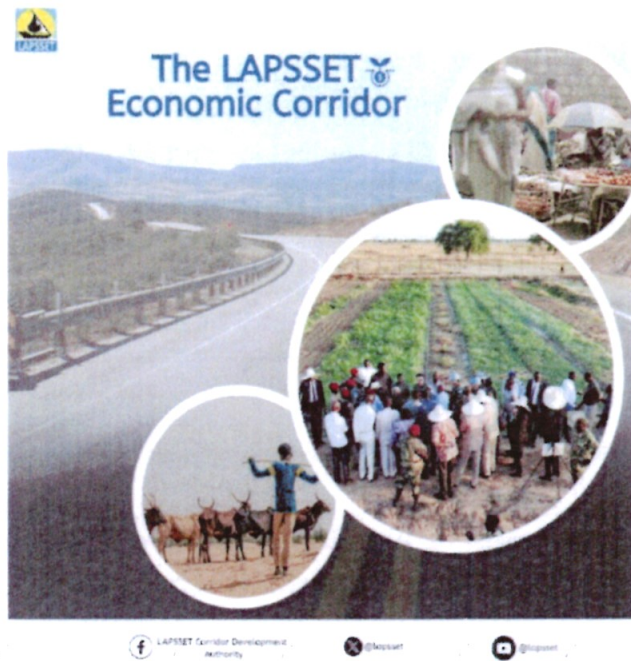
resumption of the program which resulted to allocation of budget for the scholarship program in subsequent years.

To support this initiative further, the Authority intends to partner with LCP implementing agencies in establishing a framework that will identify high impact CSI extended to the other LAPSSET Counties.

Our Aspirations

The significant milestones achieved in the delivery of the LAPSSET Corridor Programme (LCP) affirm the Government's commitment to driving inclusive and tangible development across the country as espoused in the Bottom-up Economic Transformation Agenda (BETA). Moreover, the adoption of the One-Government Approach, has been instrumental in consolidating these gains and providing the necessary leadership and coordination.

We remain firmly committed to advancing an integrated development model in the implementation of LAPSSET Corridor Program to maximize impact within defined timelines, while minimizing the financial burden on the country.



We are particularly grateful to the Government through its Ministries, Departments, Agencies, and County Governments for the close collaboration and unwavering support that has enabled the Authority to execute its mandate effectively. Our stakeholders have equally continued to play an integral role in supporting the Authority across various engagement forums, and for this, we are deeply thankful. We look forward to strengthening these partnerships as we advance our shared development goals.

I also extend our appreciation to the Management Team for their unwavering dedication, commitment, and resilience in delivering on our objectives amid a challenging operating environment. Your efforts have not gone unnoticed. Most importantly, I wish to recognize, in a special way, the Board of Directors, Management, and all Staff of the Authority. Your individual and collective sacrifices, professionalism, and tireless dedication have been instrumental in achieving the milestones we celebrate in this Financial Year.



As a Board, we remain committed to provide strategic leadership and oversight to ensure the Authority continues to play a transformative role in shaping a resilient and prosperous future.

Board Appreciation

On behalf of the Board of Directors, I wish to express our sincere appreciation for the trust placed in us to provide direction and spearhead the development agenda that will shape the future of our nation and generations to come.

Hon. Ali Menza Mbogo, HSC
LCDA BOARD CHAIRMAN

6. REPORT OF THE CHIEF EXECUTIVE OFFICER



The LAPSSET Corridor Program stands as a pivotal catalyst in the pursuit of the Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA).

INTRODUCTION

The LAPSSET Corridor Program is a regional multi-modal infrastructure flagship initiative under Kenya's Vision 2030, aimed at enhancing economic growth by enhancing trade between the Federal Republic of Ethiopia and the Republic of South Sudan, hence increasing connectivity within the African states and making the land bridge between Atlantic Ocean and Indian Ocean a reality. The LAPSSET land bridge will save time in transporting goods and services around Africa, cost of trade, enhance both global and African trade and activate mega economic benefit to the region, and enhance environmental sustainability.

The key components of the LAPSSET Corridor Program are; Port of Lamu, which has positioned the country as a leading transport and logistics hub, the LAPSSET Corridor Road; designed to integrate with other major continental transport corridors, including the East Africa Northern Corridor and the Central Corridor, thereby facilitating seamless connectivity across the region. The Standard Gauge Railway line connecting Ethiopia, Addis Ababa and Juba in South Sudan.

The Corridor serves as a critical land bridge linking and transcontinental linkage which will significantly reduce trade distances and enhance efficiency in cargo movement, thereby promoting intra-African trade and regional integration. It is critical in supporting and actualising the Africa Continental Free Trade Area (AfCFTA) economic integration goals.



Figure 1 The LAPSSET Corridor route connecting port of Lamu through the Equatorial Land Bridge to Port of Douala

The LAPSSET Corridor Development Authority continues to undertake its mandate of Planning, Coordinating, and Sequencing and providing effective leadership in the implementation of the LAPSSET Corridor Project components with Ministries, Departments and implementing Agencies. As an Authority, we endeavour to ensure that the project components are implemented in an integrated manner to enhance and create synergies and reduce cost and augment timely project delivery.

It is with great pleasure that I present the Annual Report and Financial Statements for the year ended 30th June, 2025. This Annual Report for the Financial Year 2024-2025 is significant as it comes at the midpoint implementation of the Authority’s Strategic Plan 2023-2027. The report also serves as an important appraisal tool for the Commission

to evaluate its performance during the period under review. Additionally, this report outlines the Authority’s achievement over the past year and highlights how the funds allocated were utilized.

Key Achievements within the reporting period

In the period under review, the Authority has continued to register significant achievements thus far amid myriads of financial resource challenges. The milestones attained during the year are as follows:

i. Port of Lamu operation and Corridor utilization

During the year under review, the Authority sustained efforts to enhance the competitiveness of the LAPSSET Corridor and the Port of Lamu through targeted strategic initiatives. Key among these was the advancement toward the finalization of transaction advisory studies, including the Marketing Strategy for the Port of Lamu and Lamu SEZ, a Demand and Comparative

Analysis, and a comprehensive Communication Strategy aimed at positioning the port and SEZ as preferred investment and logistics hubs. These studies are expected to guide investment promotion and market positioning going forward.

Operationally, the Port of Lamu and the broader LAPSSET Corridor continued to register positive growth, with over 54 vessels calling at the port by the end of FY2024/2025 which is a significant improvement compared to previous years. This upward trajectory reflects growing market confidence and is expected to gain further momentum in the coming years as supporting infrastructure and investor confidence continue to strengthen.



ii. LAPSSET Highways

Significant progress has been made in the development of the LAPSSET road components. Of the estimated 1,800-kilometre road network stretching from the Port of Lamu to the borders of the Federal Democratic Republic of Ethiopia (Moyale) and the Republic of South Sudan, over 1,000 kilometres have been completed and the others are at different stages of construction.

During the reporting period, the Authority also undertook comprehensive monitoring and evaluation of the LAPSSET highways to assess progress, ensure quality, and guide further implementation. The progress made in regard to highways is as follows:

- a. Isiolo - Marsabit – Moyale 503Kms Road Completed in 2016.
- b. Road linkage between Isiolo and Nairobi (Capital of Kenya) Completed.
- c. Lokichar - Lodwar Road: Construction is complete.
- d. Lamu - Ijara - Garissa Road: (257Kms) Stage Construction ongoing at **45.59%** (Gravel Standard)
- e. Garissa-Isiolo Road section - Stage Construction ongoing at **42.6%** (Gravel Standard)
- f. Isiolo – Lokichar (371Kms) Road: Detailed Engineering Designs complete.
- g. Lamu– Witu – Garsen (110Kms) (Alternative Route for Cargo Evacuation): Construction is complete and operational.



Additionally, the Authority has undertaken engagements with local communities and other stakeholders at Moyale One Stop Border Post within the period of review with an objective of streamlining operations, the establishment of the OSBP continues to play a significant role in improving cross border trade and free movement of people between Kenya and Ethiopia.



iii. Lamu Special Economic Zone.

During the period under review, the Authority made significant strides toward the realization of the Lamu Special Economic Zone (SEZ), a key initiative aimed at creating a sustainable business case for the Port of Lamu. Notably, the Authority successfully coordinated the gazettelement of the LAPSSSET Lamu SEZ, thereby laying a strong policy and regulatory foundation to attract private sector investment. This milestone has led to a marked increase in investor interest, with several local and international investors expressing intent to establish operations within the Zone.

In order to support infrastructure development and improve accessibility, the Authority within the period of review also constructed 17.5 km of gravel feeder roads within the SEZ with an aim of opening up the area for further development so as to attract potential investors.



Figure 2 Meeting with Cabinet Secretary for Investments, Trade, and Industry (MITI) Hon. Salim Mvurya. EGH.

iv. Land Acquisition.

In respect to Land Acquisition, the Authority within the period of review managed to undertake land ownership inquiries for the remaining sections of the 824KM (Lamu and Samburu, 250KM by 500M) in collaboration with National Land Commission (NLC) and developed a LAPSSET Land Acquisition and Management Strategy. Additionally, the Authority has completed gazettelement of land for acquisition for the LAPSSET Corridor Project components.

Corridor Development Plans

During the period of review, the Authority undertook development of a Physical and Land Use Development Plan for the LAPSSET Lamu Special Economic Zone (SEZ) and prepared a draft Harmonized

Physical and Land Use Development Plan for Lamu Port City in partnership with Lamu County and the State Department for Lands and Physical Planning. This is will enhance land acquisition process and planned development of projects.

Stakeholders Consultations

Stakeholder engagement is one of the key functions of the Authority and remains critical to the success of the LAPSSET Corridor Programme, given the multiplicity and diversity of actors involved. During the reporting period, the Authority convened several stakeholder consultative forums across the LAPSSET Corridor Counties to address key issues which included land acquisition, Road Construction, Construction of Railway line, product oil pipeline, water desalination, and ongoing master planning studies, among others. These engagements are essential in fostering project ownership, enhancing public acceptance, and facilitating

smoother implementation of key components of the Programme.

In addition, the Authority undertook a comprehensive review of the Coordination and Management Framework Options Paper, which outlines institutional models and



LAPSSET Regional Coordination Framework

On 14th January 2020, Kenya, Ethiopia, and South Sudan commenced dialogue aimed at establishing a common and shared coordination mechanism for the LAPSSET Corridor Program.

During the period under review, the Authority intensified efforts to fast-track the realization of a regional coordination framework that will facilitate joint planning, coordination, and delivery of LAPSSET projects among the three partner states. A major milestone was the successful coordination and hosting of the 4th LAPSSET Regional Coordination Council (RCC), all the cabinet secretaries relevant, which brought together key stakeholders from the three countries to deliberate on cross-border infrastructure priorities and implementation modalities.

governance structures to support effective trilateral collaboration. These efforts are critical to ensuring alignment, efficiency, and sustainability in the implementation of regional infrastructure projects under the LAPSSET Corridor.

Regional Offices.

During the year under review, the Authority continued to benefit from the operations of its regional offices in **Lamu**, **Turkana**, **Isiolo**, and **Garissa**. These offices served as critical decentralised coordination points, strengthening linkages with local communities and facilitating the timely delivery of projects across the Corridor. Through their presence, stakeholder engagement activities were conducted more effectively and with greater ease, enabling enhanced community interactions and ensuring that public participation processes were adequately supported. The regional offices played a pivotal role in fostering trust, improving responsiveness, and aligning

project implementation with local needs and expectations.

Risk Management

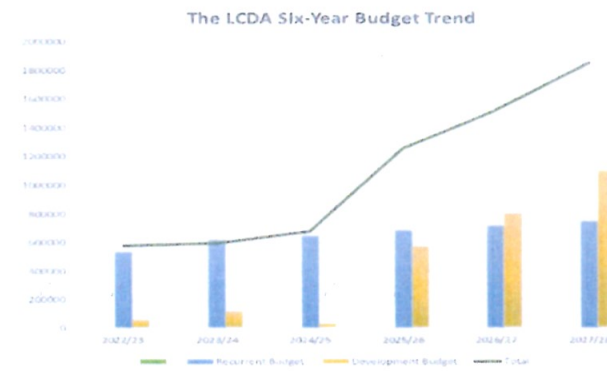
Risk management is central to sustaining effective and successful operations. In this regard, during the period under review, the Authority finalized the development of a comprehensive Risk Management Policy and Risk Register to guide the identification, assessment, and mitigation of risks across all areas of operation. Additionally, the Authority undertook an extensive review of internal processes and leveraged technology by upgrading its Enterprise Resource Planning (ERP) system. This upgrade has significantly enhanced the quality, efficiency, and integrity of our systems, thereby strengthening our capacity to mitigate potential risks and improve service delivery.

Financial Performance

During the period under review, the Authority received exchequer funding of Kshs.620,800,000 for recurrent expenditure and ksh.20,000,000 grant for development. Additionally, Kshs 20,000,000 grant funding from NEPAD-IPPF Fund was absorbed under the African Development Bank (AfDB), for the Transaction Advisory consultancy services for Lamu Port and Lamu Special Economic Zone (SEZ). The funds were utilized in undertaking the operational activities of the Authority. These included the coordination of Inter-Agency Technical Meetings, Land Acquisition processes, construction of 17.5km of gravel road with Lamu SEZ and Stakeholder and Community Engagements, preparation of the Regional Coordination Framework, Monitoring and Evaluation of ongoing projects, Institutional Strengthening, Promotion and Publicity of the

LAPSSET Corridor Program and Transaction Advisory Services.

The Authority’s budgeting and funding from the National Treasury has been revised since inception. The financing has enabled the Authority to mobilise the partner states and the stakeholders to realise the dream of connecting Africa.



Institutional Operational Challenges

During the period under review, the Authority encountered several challenges that impacted the delivery of planned activities.

Appreciation

In conclusion, the successful delivery of the LAPSSET Corridor is a transformative step towards realizing a more prosperous and inclusive Kenya. I wish to sincerely thank the Government of Kenya, our Board of Directors and the dedicated, talented staff of the LAPSSET Corridor Development Authority for their unwavering commitment and contributions toward achieving our goals and objectives.

I also extend my appreciation to the Implementing Ministries, Departments, and Agencies; the National and County Governments; our Development Partners and Donors; the Partner States; our Service Providers; and all our esteemed Stakeholders

for their invaluable support throughout the year.

As we continue to build Kenya's second strategic transport and economic corridor, I look forward to your continued partnership and support in driving inclusive development for our country and the wider region.



Stephen Ikua, MBS
DIRECTOR GENERAL/CEO

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025

The LAPSSET Corridor Development Authority has 4 Strategic themes within the current Extended Strategic Plan for the FY 2024 -FY 2025. These strategic themes are as follows:

1. LAPSSET Corridor Program Development
2. Resource Mobilization
3. Promotion and Publicity of the LAPSSET Corridor
4. Institutional Capacity Development

The LAPSSET Corridor Development Authority develops its annual work plans based on the above 4 Key Result Areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The LAPSSET Corridor Development Authority achieved its performance targets set for the FY 2024-2025 period for its 4 Key Result Areas, as indicated in the diagram below:

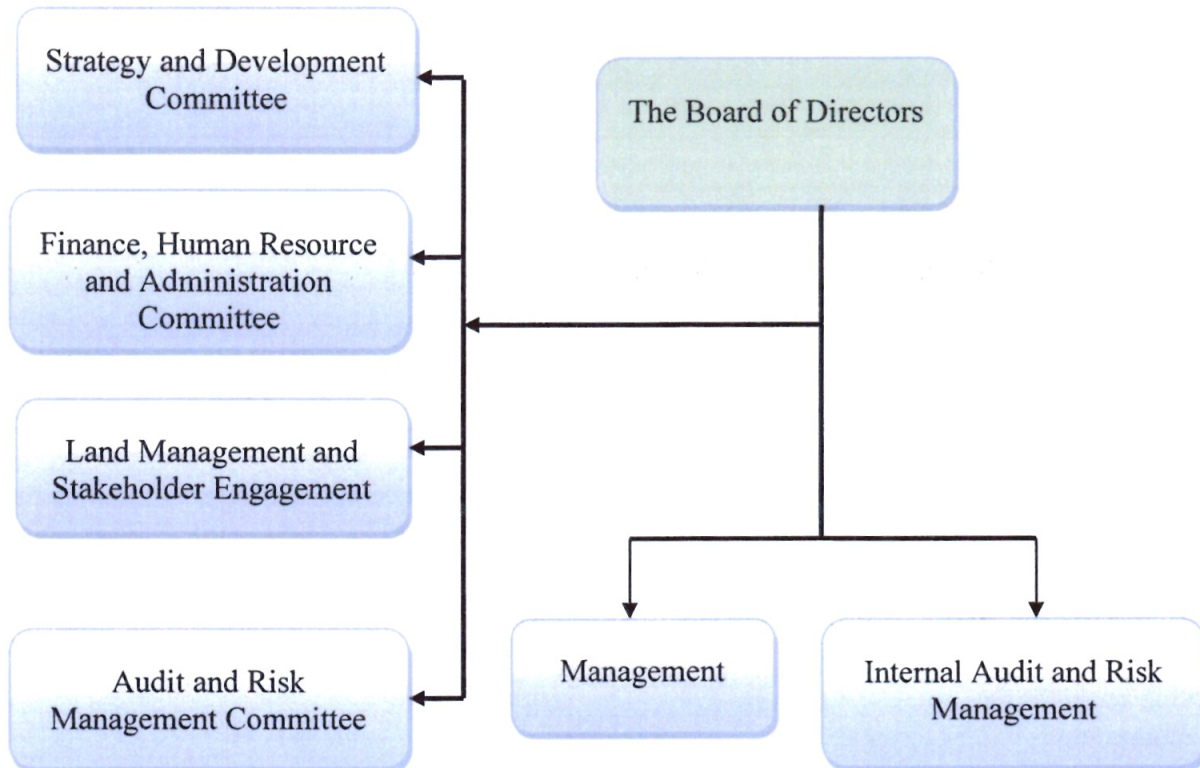
| Key Results Areas | Objective | Key Performance Indicators | Activities | Achievements |
|--------------------------------------|---|----------------------------------|--|--|
| LAPSSET Corridor Coordination | To Coordinate Implementation of the LAPSSET Corridor Components | LAPSSET Corridor Progress Status | Co-ordinate implementation of LAPSSET Corridor | <ul style="list-style-type: none"> • Operationalization of the three berths of Port of Lamu. (Delivery of 3 STS cranes) • Negotiated with the Govt. of Ethiopia to import fertilizer through the Port of Lamu. One shipment of 60,000 MT of fertilizer received thus far. • Inspection, preliminary survey and valuation of 597 Acres part of the proposed land for the Lamu Special Economic Zone. • Joint Monitoring and inspection of the LAPSSET Corridor with NEPAD/APRM/KENHA, KPA |

| Key Results Areas | Objective | Key Performance Indicators | Activities | Achievements |
|------------------------------|--|--|---|--|
| | To Undertake Stakeholder Engagement and Collaboration | No. of Engagement Meetings | Engage all stakeholders | <ul style="list-style-type: none"> • Convening quarterly Inter-Agency Technical Committee Meetings. • Co-ordinating the establishment of the Regional Coordination Framework to operationalize an Umbrella Body. • Convening Public Consultation forums with County Governments and Elected Leaders. |
| Resource Mobilisation | To mobilize resources for the implementation of LAPSSET Corridor Program | Amount of funds mobilised for Program and operation of the Authority | <p>Mapping of Development Partners (including preparing of concept notes on investments)</p> <p>Reviewing and appraising of investment Proposals.</p> <p>Promoting investment Opportunities to prospecting investors.</p> | <ul style="list-style-type: none"> • Absorption of ksh.20,000,000 NEPAD-IPPF grant from the African Development Bank towards Transaction Advisory consultancy services for the development of Lamu Port and Lamu SEZ. • Mobilizing Support from the United Economic Commission for Africa towards hosting of the 4th Ministerial Conference in August 2024. • Mobilization of exchequer funding for the construction of various road components and sourcing of equipment for the Port of Lamu. • Mobilizing funds for development of 17.5 km (gravel) road network within Lamu SEZ |

| Key Results Areas | Objective | Key Performance Indicators | Activities | Achievements |
|---|--|--|--|---|
| Promotion and Publicity of the LAPSSET Corridor. | To Promote LAPSSET as a Preferred Investment and Transport Corridor in the Region. | No. of Investments attracted to the Corridor. | Promoting LAPSSET as a Development Corridor. | <ul style="list-style-type: none"> • Promoting LAPSSET Corridor investment Opportunities in both Domestic and international Conferences. • Actively participating in cultural events and investment forums organized by the LAPSSET Counties. • Conducting guided tours of the port of Lamu to visiting dignitaries and prospective investors. |
| Institutional Capacity Development | To establish an efficient and motivated workforce | No. of Initiatives Implemented to improve productivity | <p>Implementing institutional Establishment to enhance capacity in the Authority.</p> <p>Training and equipping staff with skills.</p> | <ul style="list-style-type: none"> • Facilitated training of 80 staff members on Introduction to Public Service at the Kenya School of Government. • Implemented a performance management system for staff. • Developed a productivity mainstreaming strategy. • Facilitated training of some staff on supervisory skills development course and senior management courses. |

8. CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that the Authority is professional, transparent, and accountable and further upholds high levels of integrity. The principles and standards adhered to by the Board conform to guidelines and code of governance issued by the State Corporations Advisory Committee and other governance institutions. The LCDA governance structure is summarized in the figure below.



THE BOARD AND MEMBERS PERFORMANCE

The Board consists of thirteen directors including the Chairman and the Secretary (Chief Executive Officer) out of whom five are independent (non-executive). The Board also co-opted three members from implementing Ministries including State Department for Investment Promotion, National Land Commission and Vision 2030 Secretariat. The composition brings together representatives of the implementing agencies and Independent Directors with a good mix of skills, experience and proficiencies in various fields. The Director General/CEO is the Secretary to the Board.

The Directors are independent of Management and their role is to provide leadership and stewardship for effective execution of the Authority's objectives and strategies. The Directors oversee the operations of the management through constructive advice and consistently engaging the management on agreed parameters within the strategic framework set by the Board. The Director

General/CEO is responsible to the Board and takes responsibility for the effective and efficient running of the Authority on day-to-day basis.

MEMBERSHIP OF THE BOARD COMMITTEE

During the Financial Year under review, the following Board Committees were operational and their composition is presented in the matrix below: -

| Name | Finance, HR & Administration | Strategy and Development | Land Management & Stakeholder Engagement | Audit & Risk Management |
|--|------------------------------|--------------------------|--|-------------------------|
| Arch. Shadrack Tulon | | | ✓ | ✓ |
| Hon. Anwar Loiptip | ✓ | | ✓ | |
| Jeremiah Apalia Lomari | | ✓ | | ✓ |
| Hon. Nasra Ibrahim Ibren | ✓ | ✓ | | |
| Abdikahiya Noor Maalim | ✓ | | ✓ | |
| Anthony Nderitu-Alternate to PS the National Treasury | ✓ | | | ✓ |
| Esther Wangómbe CBS-Alternate to PS Ministry of Energy | | ✓ | | ✓ |
| Dr. Duncan Hunda - Alternate to PS State Department for Transport | ✓ | ✓ | | |
| Munyithya Kimwele-Alternate to PS State Department of Tourism | | | ✓ | |
| Beverly Opwora-Alternate Member to PS Internal Security & National Affairs | | ✓ | | ✓ |
| Nevis Ombasa-Office of the Attorney General and Department of Administrative Justice | | | ✓ | |

The Director General/CEO is the Secretary to the Board Committees except in the case of Audit and Risk Management Committee where the Internal Audit Manager is the Secretary.

BOARD MEETINGS

The Board and Committees meet regularly in accordance with business requirements. All the Directors participate in discussing matters tabled before the Board and Committees on Strategy, Operations, Financial position, Risk Management, Performance and Policies. Committees' deliberations are presented to the Board for review and adoption. During the Financial Year, the following matrix presents the Board meetings that took place and the attendance.

| NO. | NAMES | DATES | | | |
|-----|--|-------------------|------------------|------------------|-----------------------|
| | | 18TH JULY 2024 | 24TH OCT 2024 | 30TH JAN 2025 | 24TH APRIL 2025 |
| 1. | Hon Ali Mbogo | ✓ | ✓ | ✓ | ✓ |
| 2. | Arch. Shadrack Tulon | ✓ | ✓ | ✓ | ✓ |
| 3. | Hon Anwar Loitiptip | ✓ | ✓ | ✓ | ✓ |
| 4. | Jeremiah Apalia Lomari | ✓ | ✓ | ✓ | ✓ |
| 5. | Hon Nasra Ibrahim Ibren | ✓ | | | ✓ |
| 6. | Abdikahiya Noor Maalim | ✓ | ✓ | ✓ | ✓ |
| 7. | Stephen Ikua | ✓ | ✓ | ✓ | ✓ |
| 8. | Dr. Duncan Hunda-Alternate Member to the PS State Department for Transport | | ✓ | ✓ | |
| 9. | Anthony Nderitu-Alternate Member to PS for The National Treasury | ✓ | | | |
| 10. | Munyithya Kimwele -Alternate Member PS State Department for Tourism | ✓ | ✓ | ✓ | |
| 11. | George Ombua – Alternate Inspectorate | ✓ | | | |
| 12. | Nevis Ombasa – Alternate Attorney General | ✓ | ✓ | | |

| | | | | | |
|-----|---|---|---|---|---|
| 13. | Idi Masoud – Representative Vision 2030 | ✓ | ✓ | ✓ | |
| 14. | Esther Wangombe,OGW - Alternate Member PS State Department of Energy | ✓ | | ✓ | ✓ |
| 15. | Commissioner Reginald Okumu – Representative National Land Commission | | | ✓ | |

ROLES AND FUNCTIONS OF THE BOARD

The Board's principal duty is to provide leadership in the delivery of the LAPSSET Corridor Program. Specific functions of the Board are as spelt out in the Establishing Legal Notice Section 9 (a-g). The Terms of Reference for the Board committees are developed and reviewed over time.

ROLES AND FUNCTIONS OF BOARD COMMITTEES

The Board Committees undertake functions and roles emanating from donated responsibilities and broadly aimed at enhancing the functions and roles of the Board. Specifically, the functions and roles are stipulated and elaborated in Terms of Reference (ToRs) for each Board Committee are as follow: -

| # | COMMITTEE | ROLES AND FUNCTIONS |
|----|------------------------------------|--|
| 1. | Strategy and Development Committee | <ul style="list-style-type: none"> • Provide Direction and Guidance in the implementation of the LAPSSET Corridor Program; • Provide Direction and Guidance in the development and implementation of the Strategic Plan of the Authority; • Provide Direction and Guidance in the development and implementation of the Board Charter; • Review of technical and policy documents including cabinet papers, board papers, Authority manuals, and Memorandums of Understanding (MoUs) addressing issues of technical nature; • To review and recommend for Board Approval the LCDA's Annual Work Plan to ensure that it is in line with the Strategic Plan and the Performance Contract; • Review and approve the LCDA's Resource Mobilization Strategy; • Review the Quarterly Reports on the Implementation of Strategic Plan activities to be submitted to the Cabinet Secretary, Ministry of East Africa Community; • Review collaboration activities and partnerships with other agencies; |

| | | |
|----|--|---|
| | | <ul style="list-style-type: none"> • Undertake annual progress review of the Strategic Plan; • Oversee the preparation of LCDAs Performance Contract. • Identify for inclusion in the Performance Contract targets for the Financial Year. • Participate in the vetting of the Performance Contract. • Review quarterly and annual reports of the Performance Contract before submission to the Performance Contracting Division of the Ministry of Devolution and Planning. • Participate in the evaluation of the Performance Contract. |
| 2. | Finance, Human Resource and Administration Committee | <ul style="list-style-type: none"> • Oversee the preparation of LCDAs budget. • Review the LCDA's annual budget before submission and after approval by the Treasury; • Review quarterly Financial Monitoring Reports (FMR); • Review periodic operational budgets and financial statements; • Monitor the continuing efficacy of accounting and internal control; • Comply with the Government financial management regulations; • Monitor the performance of key finance and accounts staff against approved performance contracts; • Oversee the annual procurement plans including the externally funded projects; • Recruit and develop staff of LCDA; • Monitor and appraise the performance of senior management, review human resource policies, determine the remuneration of senior management, and other staff. |
| 3. | Land Management and Stakeholder Engagement | <ul style="list-style-type: none"> • Oversee the survey and mapping process for all the land falling within the LAPSET Corridor • Oversee the Strategic Environmental Assessment process for the Corridor • Review and guide measures put in place to sensitize the public on Land Acquisition for the Corridor and the compensation process. • Develop a policy framework for compulsory land acquisition by engaging counties and other stakeholders. • Ensure that any land disputes arising from the acquisition of land along the Corridor are effectively addressed. • Guide the process of allocating land to the Authority • Oversee the allocation of land to various users and/or investing firms ensuring that leases are issued to legitimate beneficiaries, and that they are only issued for the required time frame. • Review the Administration of ground rent and demand notices |

| | | |
|----|-------------------------------------|---|
| 4. | Audit and Risk Management Committee | <ul style="list-style-type: none"> • Monitor the implementation of the risk management policy framework; • Monitor and ensure timely implementation of recommendations of various fiduciary oversight responsibilities, including internal and external auditors, Government project monitoring agencies and external funded projects' periodic review and supervision missions; • Oversee continuing efficacy of accounting and internal control standards, policies and practices; • Ensure compliance with legal covenants of Development Partners funding agreement on projects by them; and • Monitor performance of key internal audit staff against approved performance contracts. |
|----|-------------------------------------|---|

PROCESS OF APPOINTMENT AND REMOVAL OF DIRECTORS

The appointment of the Chairman and the Non-Executive Board Members is done by the President pursuant to the provision of the Authority's establishing Legal Notice, 5(1) (a and g(i-v)). The removal of the Directors is provided for under Section 11(1) (b and c(i-v)).

APPOINTMENTS AND RESIGNATIONS

During the year under review, there occurred changes in the LCDA Board of Directors: expiry of the term of Wycliffe Ogallo, CBS-Alternate member to PS Ministry of Energy and the consequent appointment of Esther Wang'ombe as the Alternate to the PS Ministry of Energy. In addition, the appointment of Anthony Nderitu-Alternate member to the PS for National Treasury expired.

BOARD REMUNERATIONS

The Directors are paid sitting allowances for every meeting attended. In addition, the Chairman is paid monthly Honoraria.

CONFLICT OF INTEREST

Directors have a statutory duty to disclose any situations which may give rise to conflict of interest in executing their mandate in the Authority. The Directors have signed a Code of Governance committing to disclose any conflict of interest which may arise.

9. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Authority's Operational and Financial Performance

During the current Financial Year, the Authority's approved Budget was Kshs. 648.4Million (Exchequer funding) out of which Kshs. 638.40Million was meant to cater for Recurrent Expenditure and Kshs. 10Million for the African Development Bank (AfDB) to facilitate the Transaction Advisory Services. This is a Grant under the NEPAD Infrastructure Project Preparation Facility (IPPF) Fund for Technical Assistance towards the development of the Port of Lamu and Lamu Special Economic Zone (SEZ).

The recurrent funds received during the year under review facilitated:

- i. Undertaking of coordination services towards implementation of the LAPSSET Corridor Programme;
- ii. Baseline survey on the development of water desalination plant in Lamu
- iii. Stakeholder engagement activities;
- iv. Inspection, survey and valuation of 597 acres of land in Lamu SEZ
- v. Comprehensive Strategic Plan review purposely to align with Medium Term Plan IV;
- vi. Coordination of establishment of the institutional regional coordination framework.
- vii. Investor priming and Fund Mobilization Activities; and
- viii. Institutional strengthening activities.

The development allocation was set aside to facilitate feasibility studies for the Special Economic Zones. However, the allocation was 100% rationalized during supplementary 01 in line with the government drive towards achieving a sustainable fiscal deficit. On the other hand, the Authority secured a funding of Kshs. 100Million during the same budget revision period towards gravelling of 17.5Km feeder road within Lamu SEZ. The contract for the project was awarded and works have since been completed.

Moreover, the Transaction Advisory services earmarked for implementation in current financial year are specific studies and plans for aimed at enhancing the competitiveness of the port of Lamu. They include:

- i. Marketing strategy;
- ii. Communication strategy;
- iii. Utility requirement study
- iv. Infrastructure sequencing plan; and
- v. Comparative and demand analysis

All the studies are ongoing (one at inception report stage while the other three in stakeholder engagement stage awaiting draft and final reports) and are expected to be completed within the first half of the next Financial Year, 2025/2026.

Generally, the Authority has realized an upward budget growth over the last three financial years and is expected to continue in the subsequent financial years as shown in the Table 2. This is attributable to steps being undertaken by the Authority towards strengthening the

budgeting process, implementation of its mandate and record of effective utilization of the limited resources.

5-Year Review of the Authority's Financial Performance. Figures in 'Millions'

| Financial Year | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | | | | | | |
| Government Transfers - Recurrent | 330.60 | 307.00 | 452.30 | 541.50 | 620.80 | 638.40 |
| Donor Receipts | 5 0.13 | 10.70 | - | - | - | - |
| Amortized Capital Grants | 4.59 | 2.68 | 2.68 | - | - | - |
| Conditional Grant - GOK | - | - | - | 60.00 | 100.00 | 10.00 |
| Other Income | 0.30 | 0.48 | 0.07 | - | - | 0.31 |
| Total Revenue | 385.62 | 320.36 | 456.18 | 601.50 | 720.80 | 648.71 |
| Expenses | | | | | | |
| Personnel Emoluments | 116.18 | 235.59 | 283.21 | 315.85 | 397.78 | 413.97 |
| Board Costs | 10.00 | 20.33 | 11.42 | 13.18 | 20.31 | 24.34 |
| Grants and Subsidies | 15.01 | 0.24 | - | - | - | - |
| Depreciation | 9.37 | 18.27 | 21.14 | 20.93 | 15.51 | 6.08 |
| Other operating expenses | 148.31 | 124.68 | 122.75 | 216.93 | 176.14 | 180.26 |
| Capital Expenditure | - | - | - | 60.00 | 100.00 | - |
| Total Expenses | 298.87 | 401.51 | 438.52 | 566.89 | 709.74 | 624.65 |
| Funds absorption (%) | 77.50 | 125.33 | 96.13 | 94.25 | 98.47 | 99.55 |

SECTION B

Authority's Compliance with Statutory Requirements

Authority embraces good governance and had structured its operations guided by Public Procurement and Disposals Act, Public Finance Management Act and Circulars. Based on that, the Authority does not envisage encountering contingent liability.

SECTION C

Key Projects Implemented or Ongoing

The Authority has undertaken/coordinated the implementation of the following key projects/activities:

- i. Operationalization of the first berth of the Port of Lamu and Completion of Berths 2 and 3.
- ii. Transaction Advisory (TA) for the Port of Lamu and Special Economic Zone Land Acquisition for the Project Components
- iii. Stakeholder engagements with the County governments, National government and the Partner States
- iv. The Authority coordinated the Front-End Engineering Designs (FEED) and the Environmental and Social Impact Assessment (ESIA) study for Crude Oil Pipeline.

Some of the key projects LCDA is planning to progress are follows: -

- i. Complete the TA for Port and SEZ;
- ii. Undertake the LAPSSET Corridor Master Plan with WWF;
- iii. Progress the land acquisition;
- iv. Feasibility studies for:
 - Crude Oil refinery
 - Fibre Optic cables
 - Resort Cities
 - Fishing Berth and Fish Processing Plant
 - Standard Gauge Railway
 - Lamu International Airport
 - Product Oil Pipeline
- v. Strategic Environmental Assessment for the Resort Cities
- vi. Resettlement Action Plan for the Lamu Special Economic Zone

SECTION D

Major Risks Facing the Authority

Financial Risks

The Authority's activities exposed to variety of financial risks such as credit and liquidity risks. The Authority regularly reviews its management policies and systems to reflect changes in markets and emerging best practices. Risk management is carried out by the management under the direct supervision of the board of the directors. The board provides policies for overall risk management as well as policies covering specific areas such as credit risk and liquidity risk.

Credit Risks

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the Authority. Credit risk arises from bank balances, receivables and amount due from related parties. During the Financial Year, the Authority was not exposed to any credit risks.

Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations when they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or at the risk of damaging the Authority reputation. The Authority ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Authority reinforce this practice by adhering to approved budget and committing/ reserving funds raising purchase/ service orders.

The Authority is banking with reputable financial institutions with sound financial base that will always affect payments from Authority's balances on authorized instructions.

All liquidity policies and procedures are subject to review and approval by the board.

SECTION E

Material arrears in statutory /financial obligations

Authority limits its procurement of goods and services in accordance with its approved budget. However, due to operationalization of the port of Lamu and the port auxiliaries, the Authority incurred unforeseen costs resulting into pending bills.

SECTION F

The Authority's financial probity and serious governance issues

So far, the Authority has not encountered a situation which may give way to financial improbity or interfere with good governance.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

LAPSSET Corridor program is a transformative infrastructure initiative aimed at enhancing regional connectivity, given its scale and potential impacts on communities and ecosystem, LAPSSET is committed to embedding sustainability into every phase of its project's development.

LAPSSET sustainability vision is to develop a world class, inclusive Infrastructure Corridor that balances economic development and environmental stewardship and social well-being. The program is aligned to Kenya's vision 2030, the African union Agenda 2063 and the UN sustainable development Goals (SDG's).

LAPSSET Corridor seeks to promote sustainable infrastructure development that drives economic integration while minimizing environmental and social impacts. The Authority's policy framework emphasizes:

1. Sustainable transport and logistics system.
2. Environmental and social safeguards
3. Community inclusivity
4. Biodiversity protection and resource efficiency
5. BETA economic approach.

Key achievements.

1. Implementation of Environmental Impact Assessment (EIAs).
2. Engagement of local communities through stakeholder forums and benefit-sharing frameworks.
3. Launch of Green Port Initiative at Lamu Port with reduced emission target

Challenges and mitigation measures.

1. Delays in climate adaptation studies which were mitigated by fast-tracking partnerships and collaborations with relevant stakeholders.
2. Biodiversity concerns across the corridor and especially at Lamu port were addressed through reforestation and habitat restoration projects.

Contracts and inclusivity efforts.

- 40% of contracts were awarded to local contractors and suppliers while 30% were awarded to special groups (youth, women and PWD)
- The LCDA service charter was reviewed to enhance transparency in procurement and strengthen local participation.

ii) Environmental Performance

LCDA has adopted an environmental management plan which is aligned to Kenya's Environmental Management and Coordination Act (EMCA act 1999), Climate Change policy Act (2016) and other regional environmental standards. The Authority prioritizes sustainable infrastructure by reducing ecological footprints across the corridor.

Success.

1. Introduction of waste segregation systems in all operational compounds and Lamu Port.
2. Shift towards paperless systems through digital project documentation and communication.
3. Maintenance of fuel-efficient fleets and promotion of public transport to reduce carbon emissions.

Shortcomings and mitigation.

1. Initial low waste sorting compliance was addressed through trainings and empowerment programme and infrastructure upgrades.
2. Delays in biodegradable packaging which was addressed by ensuring suppliers and partners procure environmentally-friendly supplies and services, to reduce consumption and, where possible, purchase goods and services which may be manufactured, used and disposed of in an environmentally-responsible way.

Waste management efforts

1. Adoption of the 3RS (Reduce, Reuse, Recycle) by Use innovative solutions to reduce our consumption of single-use items, to reuse materials and recycle waste produced as much as possible number of various wastes sent for recycling compared to waste going to general landfill. Increase in number of equipment and furniture reuse, hence emissions saved
2. Disposal of wastes through licensed waste handlers

Climate change initiative.

1. Integration of solar -powered lighting in port activities
2. Planting of drought resistant trees species along the corridor.
3. Use of green building technologies in design of transport logistics
4. Collaborative conservation projects along the LAPSSET Corridor involving local communities and wildlife agencies.
5. Use of GIS and Remote sensing tools to monitor environmental changes across the corridor.
6. Biodiversity considerations integral to planning: increase green spaces along the LAPSSET Corridor by planting of trees that are drought resistant, increase grass cover, afforestation and reforestation Programme plants to create a greener environment and improve wellbeing of communities and environment

7. **Development of human wildlife conflict management plan.** Human wildlife conflict is a major concern along the corridor development of Human wildlife conflict plan will enable LCDA to work collaboratively with other key stakeholder to conserve biodiversity along the LAPSSET Corridor

LCDA activities are carried out under various environmental laws and regulation stipulated, this includes:

- Environmental Management and Coordination Act (1999)
- EMCA Waste Management Regulations (2006)
- Government of Kenya (GoK) 2008, Kenya Vision 2030
- Kenya Constitution (2010)
- National Environment Policy (2013)
- National E-Waste Strategy (2019)
- Ministry of Environment and Forestry (MoEF) 2021 National Sustainable Waste Management Policy
- NEMA 2015 National Solid Waste Management Strategy.



Impact of Authority's CSR activities along the LAPSSET Corridor

iii) Corporate Social Responsibility / Community Engagements

LAPSSSET Corridor Development Authority – Tree Planting for Climate Action and Community Empowerment

As part of its Corporate Social Responsibility (CSR) and commitment to environmental sustainability, the LAPSSSET Corridor Development Authority (LCDA), has taken bold steps to support Kenya’s climate change mitigation agenda by implementing tree planting and community greening initiatives. These efforts align with the Presidential directive to grow 15 billion trees by 2032, a key component of the country’s broader climate action framework.

Operating within the climate-vulnerable Arid and Semi-Arid Lands (ASALs) of northern Kenya, LCDA recognizes the increasing threats posed by climate change—ranging from recurrent droughts to sudden floods—which continue to disrupt lives, degrade ecosystems, and hinder socio-economic development. In response, the Authority has embraced tree planting not only as an environmental intervention but also as a platform for community empowerment, biodiversity restoration, and stakeholder collaboration.



LCDA Chairman taking part in tree planting activity.

Strategic Partnerships and Impact

In pursuit of its mandate and as part of its CSR priorities, LCDA Isiolo Regional Office successfully planted and distributed 1,025 drought-resistant tree seedlings to ten public and community institutions. These included St. Eusebius Catholic Parish (200 seedlings), Divine Providence Home (200), and Kambi ya Juu Chief’s Office (100), among others. By targeting institutions that are central to community life and serve vulnerable populations, LCDA ensured that the initiative created not only visibility but also a sense of ownership among local communities.

The tree species selected for this exercise—Neem, *Tamarindus indica* (Mkwaju), *Thevetia peruviana*, *Senna spectabilis*, and *Tecoma stans*—were carefully chosen for their adaptability

to arid conditions, their potential to enhance biodiversity, and their long-term value in environmental restoration efforts.

Seedling Breakdown:

| Tree Species | No. of Tree seedlings |
|------------------------|------------------------------|
| 1. Neem | 300 |
| 2. Thevetia peruviana | 215 |
| 3. Senna spectabilis | 100 |
| 4. Tamarindus indica | 210 |
| 5. Tecoma stans | 200 |
| Total seedlings | 1,025 |

A highlight of the CSR initiative was the collaborative tree planting event held in partnership with the Kenya Airports Authority (KAA). This event saw the successful planting of 1,000 tree seedlings at Isiolo International Airport, with an additional 300 seedlings donated to the surrounding community to support continued greening efforts and encourage independent tree planting.

This exercise was not conducted in isolation. It attracted participation from several key stakeholders including:

- LCDA Isiolo Regional Office
- Mzalendo Community-Based Organization (CBO)
- Kenya Airports Authority (KAA)
- Border Management Committee
- Kenya Revenue Authority (KRA)
- Kenya Plant Health Inspectorate Service (KEPHIS)
- Ministry of Interior and National Administration
- Kenya Prisons and Correctional Services

These partnerships reinforced LCDA's multi-agency approach to CSR and demonstrated a collective commitment to climate action, sustainable land use, and the well-being of local communities.

Way Forward

Through its tree planting and seedling distribution efforts, LCDA has proven that infrastructure development and environmental responsibility can go hand-in-hand. By integrating climate resilience and community engagement into its operational and CSR strategy, the Authority is not only supporting Kenya's Vision 2030 and National Climate Change Action Plan, but also

contributing meaningfully to greening the LAPSSET Corridor and fostering long-term environmental stewardship.

This initiative forms part of LCDA's wider plan to plant 80,000 trees during the current financial year, further reaffirming its role as a responsible, impact-driven institution committed to inclusive development and ecological sustainability.



LCDA DG/CEO taking part in tree planting exercise in Dongo Kundu, Mombasa in line with the Presidential Directive on climate change agenda



Isiolo Regional Manager donating tree seedlings to the community members.



LCDA Isiolo regional office and the KAA participating in the tree planting exercise at the Isiolo International Airport.

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2025 which show the state of the Authority's affairs as at that date.

Principal Activities

The principal activity of the LCDA is to Plan, Coordinate and Sequence the implementation of the LCP. The project components are the Lamu Port; highways from Lamu to Isiolo to Moyale and Isiolo to Lokichar to Nakodok; Standard Gauge Railway from Lamu to Isiolo to Moyale and Isiolo to Lokichar to Nakodok; International Airports at Lamu, Isiolo and Turkana; crude oil pipeline and refined oil pipeline and oil refinery, Resort Cities in Lamu, Isiolo and Turkana as well as other supporting infrastructure such as power supply, water supply and fiber optic cable along the Corridor.

Results

The results of the Authority for the year ended June 30th, 2025 are set out on page 1-5

Directors

The members of the Board of Directors who served during the year are shown in Part I. During the Financial Year, expiry of the term of Wycliffe Ogallo, CBS-Alternate member to PS Ministry of Energy and the consequent appointment of Esther Wang'ombe as the Alternate to the PS Ministry of Energy. There was also the appointment of Anthony Nderitu-Alternate member to the PS for National Treasury consequently replacing Festus King'ori.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Section 35 of the Public Audit Act, 2015.

By Order of the Board

Name

Signature

Date

S. IKUA, MBS



16/12/2025

DIRECTOR GENERAL/CEO

Secretary to the Board

12. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30th, 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 Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30th, 2025, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements.

The Authority's financial statements were approved by the Board by 31st August, 2025 and signed on its behalf by:

Signature



Date

16/12/2025

Name: **Hon. Ali Menza Mbogo, HSC****Chairperson of the Board**

Signature



Date

16/12/2025

Name: **S. Ikua, MBS****Accounting officer**

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LAPSSET CORRIDOR DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of LAPSSET Corridor Development Authority set out on pages 1 to 30, which comprise of the statement of

Report of the Auditor-General on LAPSSET Corridor Development Authority for the year ended 30 June, 2025

financial position as at 30 June, 2025, and the 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of LAPSSET Corridor Development Authority 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) and comply with the LAPSSET Corridor Development Authority Order, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.93,936,697. However, the bank reconciliation statement for KCB Account bank account had unrepresented cheques with no dates amounting to Kshs.34,236,179. Review of subsequent months' bank statements revealed that eleven (11) cheques with amounts totalling Kshs.6,289,390 had not cleared by 30 June, 2025.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance could not be confirmed.

2. Lack of Clear Ownership Status

The statement of financial position reflects property, plant and equipment balance of Kshs,17,652,781,565 and as disclosed in Note 14 to the financial statements. Included in this balance is freehold land balance of Kshs.17,539,000,700. It was noted that within the freehold land at Lamu, there were developments which included residential flats, three-storey office block and a police station. The office block was occupied by public and private institutions while some spaces were vacant. The administration block accommodated the Authority's Regional Office, Kenya Ports Authority, Kenya Maritime Authority, Express Shipping and Logistics, Coast Guards and Seaforth Ship Agency Expert East Africa.

Review of the budgetary allocation for the infrastructural projects revealed that the budgetary allocations were provided to the respective implementing agencies, for instance, for all roads and highways, allocation was to Kenya National Highways Authority while port construction funds was to Kenya Ports Authority among others. However, there were no arrangements or agreements on who would control such facilities erected on the Authority's land.

In the circumstances, ownership of the assets could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Authority in 2024/2025 revealed that the following five (5) issues remained unresolved:

| No. | Financial Year | Audit Issue |
|------------|-----------------------|--|
| 1 | 2023/2024 | Non-Disclosure of Buildings |
| 2 | 2023/2024 | Non-Compliance with the One-Third Basic Salary Rule |
| 3 | 2023/2024 | Non-Compliance with Fiscal Discipline on Compensation of Employees |
| 4 | 2023/2024 | Delayed Implementation of the Authority's Mandate |
| 5 | 2023/2024 | Lack of Clear Ownership Status |

Other Information

Management is responsible for the Other Information set out on page iii to L which comprise of Key LAPSSET Corridor Development Authority Information and Management, Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Board of Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I

conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the One-Third Basic Salary Rule

Review of the payroll revealed that an average of sixty-four (64) members of staff were earning salaries below the required one third of their basic salary as detailed below.

| Month | 2024 | | | | | | 2025 | | | | | |
|----------------|------|------|-------|------|------|------|------|-----|-------|-------|-----|------|
| | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan | Feb | March | April | May | June |
| No of Officers | 37 | 37 | 38 | 56 | 37 | 51 | 56 | 89 | 93 | 91 | 92 | 91 |

This was contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.”

In the circumstances, Management was in breach of the law.

2. Non-Compliance with Fiscal Discipline on Compensation of Employees

The statement of financial performance reflects revenue from exchange transaction balance of Kshs.638,400,000, compared to employee costs of Kshs.413,970,615. The compensation of employee costs represents 65% of the total Authority’s revenue. The Authority exceeded the 35% limit by 30% contrary to Regulation 26(1)(a) of the Public Finance Management (National Governments) Regulations, 2015 which states that in addition to the fiscal responsibility principles set out in Section 15 of the Act, the following fiscal responsibility principles shall apply in the management of public finances - National Government’s expenditure on the compensation of employees (including benefits and

allowances) shall not exceed 35 percent of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the national government pursuant to Article 209 (4) of the Constitution.

In the circumstances, Management was in breach of the law.

3. Slow Implementation of the Authority's Mandate

As previously reported, and according to the records that were reviewed, the 1st three berths at the port of Lamu have been completed. However, cargo evacuation through the Project's intended route is facing serious challenges as construction of key infrastructure have not been completed while others are yet to start, including Lamu-Ijara-Garisa-Isiolo and Isiolo-Maralal-Lokori-Lokichar.

In the circumstances, delayed implementation of LAPSSET Corridor Projects denied the public benefits that could have accrued from completed projects.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Inadequate Staffing

Review of the Human Resource records revealed that the Authority has an Approved Staff Establishment of two hundred and forty-nine (249) against in-post staff of one hundred and forty (149) resulting to understaffing of one hundred (100) across the Departments and Sections thus affecting key operations in both technical and support services.

Further, Note 8 to the financial statements indicates that the Authority has thirteen (13) permanent and five (5) temporary staff with total salaries amounting to Kshs.344,957,148 yet the in post staff are one hundred and forty nine (149).

In the circumstances, the operations of the Authority may be hindered due to understaffing thus affecting effective and efficient delivery of service to the public.

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.

Responsibilities of the Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is

not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 December, 2025

**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30TH, JUNE 2025**

| | Note | FY 2024/2025 | Audited FY 2023/2024 |
|--|------|--------------------|-------------------------|
| | | Shs | Shs |
| Revenue from non-exchange transactions | | | |
| Transfer from Ministries, Depts. & Agencies | 6a | 638,400,000 | 620,799,999 |
| Transfer from Ministries, Depts. & Agencies- Conditional Grant -GOK | | - | - |
| Amortized capital grant | | - | - |
| | | 638,400,000 | 620,799,999 |
| Revenue from exchange transactions | | | |
| Other Incomes | 6b | 306,739 | 4,327,457 |
| Total revenue | | 638,706,739 | 625,127,456 |
| Expenses | | | |
| Use of goods and services | 7 | 176,625,875 | 171,578,024 |
| Employee costs | 8 | 413,970,615 | 397,689,960 |
| Board Expenses | 9 | 24,334,850 | 20,281,400 |
| Depreciation and amortization expense | 10 | 6,081,484 | 15,074,278 |
| Repairs and Maintenance | 11 | 5,407,599 | 5,912,820 |
| Total expenses | | 626,420,423 | 610,536,482 |
| Surplus/Deficit for the period | | 12,286,316 | 14,590,974 |

The notes set out on pages 6 to 25 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Accounting Officer

S. Ikua, MBS

Signature :



Date : 16.12.25

Head of Finance

Bernard Oluoch

ICPAK Member Number: 24302

Signature :



Date :

15/12/2025

Chairman of the Board

Hon. Ali Menza Mbogo, HSC

Signature



Date :

15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

| | Note | FY 2024/2025 | Audited FY 2023/2024 |
|---|------|-----------------------|-------------------------|
| | | Shs | Shs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 12 | 93,936,697 | 152,544,014 |
| Receivables from exchange transactions | 13 | 11,274,504 | 5,555,491 |
| Total Current Assets | | 105,211,201 | 158,099,505 |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 17,652,781,565 | 17,558,006,011 |
| Intangible assets | 15 | 1,755,158 | 622,900 |
| Total non - current assets | | 17,654,536,723 | 17,558,628,912 |
| Total assets | | 17,759,747,924 | 17,716,728,416 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other Payables | 16 | 31,639,991 | 23,621,435 |
| Employee benefit obligation | 17 | 18,620,171 | 5,535,065 |
| Total current liabilities | | 50,260,162 | 29,156,500 |
| Total liabilities | | 50,260,162 | 29,156,500 |
| Net assets | | 17,709,487,763 | 17,687,571,916 |
| Capital grants | | 17,662,156,796 | 17,652,156,796 |
| Revaluation Reserves | | 5,525,856 | 5,525,856 |
| Accumulated surplus | | 41,805,111 | 29,889,264 |
| Total net assets | | 17,709,487,763 | 17,687,571,916 |
| Total net assets and liabilities | | 17,759,747,924 | 17,716,728,416 |

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Accounting Officer

S. Ikua, MBS

Signature :

Date :

16.12.25

Head of Finance

Bernard Oluoch

ICPAK Member Number: 24302

Signature :

Date :

15/12/2025

Chairman of the Board

Hon. Ali Menza Mbogo, HSC

Signature

Date :

**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH
JUNE 2025**

| | Revenue Reserve | Capital Grants | Revaluation Reserve | Total |
|---------------------------------------|------------------------|-----------------------|----------------------------|-----------------------|
| | Kshs | Kshs | Kshs | Kshs |
| Reserves as at 1st July 2023 | 13,778,477 | 17,522,156,796 | 5,525,856 | 17,572,771,099 |
| Adjustment | 1,519,813 | | | 1,519,813 |
| Conditional Grant | | 100,000,000 | | 100,000,000 |
| Surplus for the year | 14,590,947 | | | 14,590,947 |
| 30th June 2024 | 29,889,264 | 17,652,156,796 | 5,525,856 | 17,687,571,916 |
| As at 1st July 2024 | 29,889,264 | 17,652,156,796 | 5,525,856 | 17,687,571,916 |
| Adjustment | (370,469) | - | - | (370,469.00) |
| Capital Grants | | 10,000,000 | - | 10,000,000 |
| Surplus for the year | 12,286,316 | - | - | 12,286,316 |
| As at 30th, June 2025 | 41,805,111 | 17,662,156,796 | 5,525,856 | 17,709,487,763 |

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH, JUNE 2025

| | Note | FY 2024/2025 | Audited FY 2023/2024 |
|--|-----------|---------------------|-------------------------|
| | | Kshs | Kshs |
| Cash and cash equivalents at the beginning of the year | | 152,544,014 | 42,684,761 |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfer from Ministries, Depts. & Agencies | | 638,400,000 | 620,799,999 |
| Transfer from Ministries, Depts. & Agencies-Conditional Grant -GOK | | - | - |
| Other Incomes | | 306,739 | 248,809 |
| Total Revenue | | 638,706,739 | 625,127,456 |
| Payments | | | |
| Use of goods and services | | 165,965,692 | 172,253,892 |
| Employees Costs | | 406,086,525 | 400,773,928 |
| Board Expenses | | 24,160,850 | 20,197,000 |
| Repairs and Maintenance | | 5,368,665 | 5,901,531 |
| Purchase of non-current assets | | 2,160,082 | 13,949,174 |
| Total | | 603,741,813 | 613,075,925 |
| Net cash flows from operating activities | 18 | 34,964,926 | 12,051,532 |
| Cash flows from investing activities | | | |
| Receipts | | | |
| Conditional Grant - GOK | | 10,000,000 | 100,000,000 |
| | | 10,000,000 | 100,000,000 |
| Payments | | | |
| Transactional Advisory | | 3,829,200 | |
| LAPSET Access Road – Lamu Feeder Road | | 99,743,043 | 1,492,450 |
| Total Payments | | 103,572,243 | 1,492,450 |
| Net cash flows used in investing activities | | (93,572,243) | 98,507,550 |
| Net increase/(decrease) in cash and cash equivalents | | (58,607,317) | 110,559,082 |
| Cash and cash equivalents as at the beginning of the period | | 152,544,014 | 41,984,932 |
| Cash and cash equivalents at end of the year | 12 | 93,936,697 | 152,544,014 |

The Financial Statements set out from pages 1 to 6 were signed on behalf of the Board of Directors by:

Accounting Officer

S. Ikua, MBS

Signature :

Date :

16.12.25

Head of Finance

Bernard Oluoch

ICPAK Member Number: 24302

Signature :

Date :

15/12/2025

Chairman of the Board

Hon. Ali Menza Mbogo, HSC

Signature

Date :

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2025

| | Original Budget | Adjustments | Final Budget | Actual | Variance | % of utilisation |
|--|--------------------|---------------------|--------------------|--------------------|------------------|------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| | <i>a</i> | <i>b</i> | <i>C = a + b</i> | <i>d</i> | <i>E = c - d</i> | <i>d/c%</i> |
| Revenue | | | | | | |
| Transfers from Other Governments entities - Recurrent | 514,700,000 | 123,700,000 | 638,400,000 | 638,400,000 | - | 100 |
| Other income | - | - | | 306,690 | - | - |
| Sub-Total Recurrent | 514,700,000 | 123,700,000 | 638,400,000 | 638,706,690 | - | - |
| African Development Bank - Capital Grant | 20,000,000 | (10,000,000) | 10,000,000 | 10,000,000 | - | 100 |
| Transfers from Other Governments entities - Capital | - | - | - | - | - | |
| Sub-Total Capital | 20,000,000 | (10,000,000) | 10,000,000 | 10,000,000 | - | - |
| Total income | 534,700,000 | 113,700,000 | 648,400,000 | 648,706,690 | - | 100 |
| Expenses | | | | | | |
| Use of Goods and Services | 73,900,000 | 115,000,000 | 188,900,000 | 176,625,875 | 1,144,404 | 99.4 |
| Employee costs | 414,000,000 | 1,000,000 | 415,000,000 | 413,970,615 | 998,385 | 99.8 |
| Remuneration of Directors | 15,700,000 | 7,000,000 | 22,700,000 | 24,334,850 | 240,150 | 98.9 |
| Depreciation & Amortization | 5,500,000 | | 5,500,000 | 6,081,484 | 290,139 | 94.7 |
| Repairs and Maintenance | 5,600,000 | | 5,600,000 | 5,407,599 | 192,401 | 96.6 |
| Grants and Subsidies | | | | - | - | |
| Total expenditure | 514,700,000 | 123,000,000 | 637,700,000 | 626,420,423 | 2,865,479 | 99.6 |
| Surplus for the period | | | | 12,286,316 | | |
| Capital Expenditure | | | | | | |
| Transaction Advisory | 20,000,000 | (10,000,000) | 10,000,000 | 3,829,200 | 6,170,800 | 38.29 |
| Total expenditure | 20,000,000 | (10,000,000) | 10,000,000 | 3,829,200 | 6,170,800 | - |

19. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

LAPSET Corridor Development Authority was established by Legal Notice No. 58 of March 2013 and it derives its authority and accountability from the above Legal Notice. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is planning and coordination of activities towards delivery of LAPSET projects.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise.

The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

There were no new and amended standards issued in the financial year.

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

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

| Title | Description | Effective Date |
|-------|--|----------------|
| | Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19 | |

iii. *Early adoption of standards*

The Authority did not early – adopt any new or amended standards in year 2024/2025.

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 Authority and can be measured reliably.

Amortization of Capital Grants

Economic benefits or service derived from Capital Grants/ Donations are measured at fair value and recognized on obtaining control of the asset and on yearly basis the assets are amortized over their useful life.

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) 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 of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority 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.

c) Depreciation and Impairment of Property, Plant and Equipment

The assets of LCDA are depreciated annually on a straight-line basis and the depreciable amount charged to income over the assets useful life at the following rates: -

| | Asset | Depreciation (%) |
|------|------------------------------------|-------------------------|
| i. | Furniture & Fittings | 12.5 |
| ii. | Office partitions and Fixtures | 16.7 |
| iii. | Office Equipment | 12.5 |
| iv. | Motor Vehicles | 25 |
| v. | Computer Equipment and Accessories | 33.3 |
| vi. | Property, Plant and Equipment's | 10 |
| vii. | Intangible Assets | 33.3 |

When an asset is acquired within the year, proportional depreciation is charged in the year of purchase and proportional depreciation charged in the year of disposal.

d) 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.

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets are Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

f) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are

subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

g) Taxes

Current income Tax

The Authority is funded through National Treasury exchequer and it does not generate its own revenue for its operations. Hence the Authority does not pay corporate tax.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an Authority of financial assets is impaired. A financial asset or an Authority of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Authority of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Authority of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

i) Contingent liabilities

The Authority 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.

j) Contingent assets

The Authority 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 Authority 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.

k) Retirement Employee Benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Authority pays fixed contributions into a separate Authority (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.

l) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction/ disbursement.

m) Budget Information

The original budget for the FY 2024/2025 was approved by the board on 9th September, 2024. Subsequent revision was made and approved. The financial statements are prepared on accrual basis using classification based on the nature of the expenses in the statement of the financial performance, whereas the budget is prepared on a cash basis.

n) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. Capital grants relate to donated assets.

o) Capital Grants

Capital grants comprise of the following assets donated by the office of the Deputy President, Lake Basin Development Authority, Coast Dev. Authority and Ewaso Nyiro North Dev. Authority. These assets were initially recognized at fair value when they were donated and subsequently depreciated at the applicable depreciation rates. Income is recognized annually under the amortized capital grant over the useful life of the asset.

| TYPE | NO | DONOR | PURPOSE |
|----------------|-----------|---|------------------------------|
| Motor Vehicles | 5 | Office of the Deputy President | For use by the Authority |
| Furniture | Assorted | Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority | For use by the Authority |
| Partitions | Assorted | Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority | For use by the Authority |
| Land | 27,440 HA | Ministry of Lands and Physical Planning | Development of the Lamu Port |

p) Changes in Accounting Policies and Estimates

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

q) Related parties

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

r) Comparative figures

Prior period comparative information has been presented in the current financial year where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

s) 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 30th, 2025.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Authority'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. State all judgements, estimates and assumptions made: Such as;

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 Authority 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. IPSAS1.140

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:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) 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 40.

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.

The expenses relating to any provision is presented in the statement of financial performance net of any reimbursement.

6. TRANSFER FROM NATIONAL GOVERNMENT**a). Transfers from Ministries, Departments and Agencies (MDAS)**

| | Amount recognized to statement of Financial Performance | Amount deferred under deferred income | Amount recognized in Capital Fund Kshs | Total Transfers 2024/2025 Kshs | Total Transfers 2023/2024 |
|-------------------------------------|--|--|---|---|--------------------------------------|
| State Department of Transport | 638,400,000 | - | - | 638,400,000 | 620,799,999 |
| State Department of Transport | | | 10,000,000 | 10,000,000 | 100,000,000 |
| Total | 638,400,000 | - | 10,000,000 | 648,400,000 | 720,799,999 |

b). OTHER INCOME

| | FY 2024/2025 Kshs | FY 2023/2024 Kshs |
|-------------------------------|------------------------------|------------------------------|
| Interest Income Earned | 306,739 | 248,809 |
| Refund | - | 4,078,648 |
| Total | 306,739 | 4,327,457 |

7. USE OF GOODS AND SERVICES

| | FY 2024/2025 | FY 2023/2024 |
|---|---------------------|---------------------|
| | Kshs | Kshs |
| Communication Supplies and Services. | 1,915,281 | 3,362,516 |
| Field Coordination Activities | 9,058,572 | 27,183,015 |
| Project Coordination Assignments | 21,892,949 | 7,624,298 |
| Investment and Resource Mobilization | 26,668,495 | 12,782,135 |
| Project Counties and Stakeholders Engagements | 13,379,703 | 23,003,320 |
| Project Planning and preparation | 14,357,952 | 6,380,950 |
| Monitoring and Evaluation | 6,784,720 | 3,092,600 |
| Strategic planning costs | 11,027,260 | 2,303,000 |
| Consultancy | - | 1,429,482 |
| Foreign travel | 677,178 | 3,853,360 |
| Printing, advertising and information supplies & services | 3,360,004 | 3,813,168 |
| Rent expenses | 25,681,775 | 27,819,780 |
| Training expenses | 3,089,637 | 5,455,628 |
| Hospitality Supplies Services | 2,249,282 | - |
| Insurance | 1,389,867 | 1,214,989 |
| Office and Project operation stationeries | 7,478,776 | 2,555,249 |
| Project Vehicles Fuel | 9,726,833 | 7,580,832 |
| General Office Expenses | 13,685,396 | 32,123,702 |
| Assets | 4,202,195 | - |
| Total Operating Cost | 176,625,875 | 171,578,024 |

8. EMPLOYEE COST

| | FY 2024/2025 | FY 2023/2024 |
|--|---------------------|---------------------|
| | Kshs | Kshs |
| Basic Salaries and wages | 344,957,148 | 347,421,204 |
| Entertainment Allowances | 560,000 | - |
| Gratuity | 10,701,568 | 2,083,200 |
| Other employee related costs: NITA- Employer Contribution | 93,500 | 107,450 |
| NSSF-Employer Contribution | 5,820,188 | 2,615,640 |
| Employer Contribution to Pension Schemes | 27,703,707 | 30,359,449 |
| Employer Contribution to Health Insurance Schemes | 24,134,504 | 15,118,367 |
| Total | 413,970,615 | 397,777,310 |
| The Average number of employees as at 30th June 2025 | | |
| Permanent Employee – Management | 13 | 13 |
| Temporary and Contracted Employees - Management | 5 | 5 |
| Total | 28 | 28 |

9. BOARD EXPENSES

| | FY 2024/2025 | FY 2023/2024 |
|------------------------------|---------------------|---------------------|
| | Kshs | Kshs |
| Sitting Allowances | 5,038,000 | 12,314,200 |
| Travelling and Accommodation | 10,667,050 | - |
| Induction and Training | 7,687,800 | 6,923,200 |
| Board Insurance | - | - |
| Chairman's Honoraria | 942,000 | 1,044,000 |
| Total | 24,334,850 | 20,281,400 |

10. DEPRECIATION AND AMORTIZATION

| | FY 2024/2025 | FY 2023/2024 |
|--|---------------------|---------------------|
| | Kshs | Kshs |
| Motor Vehicles | 844,456 | 8,443,772 |
| Computer and Accessories | 1,766,670 | 3,614,332 |
| Furniture and Fittings | 2,463,791 | 2,452,737 |
| Partitions | 413,325 | 378,773 |
| Amortized ERP | 593,242 | 184,664 |
| Total depreciation and amortization | 6,081,484 | 15,074,278 |

11. REPAIRS AND MAINTENANCE

| | FY 2024/2025 | FY 2023/2024 |
|--------------------------------------|---------------------|---------------------|
| | Kshs | Kshs |
| Vehicles | 5,407,599 | 5,912,820 |
| Furniture and fittings | - | - |
| Computers and accessories | - | - |
| Total repairs and maintenance | 5,407,599 | 5,912,820 |

12. CASH AND CASH EQUIVALENTS

| Description | FY 2024/2025 | FY 2023/2024 |
|--|---------------------|---------------------|
| | Kshs | Kshs |
| Current Account | 93,887,902 | 152,519,215 |
| Others (Cash in Hand) | 48,795 | 24,799 |
| Total Cash and Cash Equivalents | 93,936,697 | 152,544,014 |

The bulk of the cash at bank was held at Kenya Commercial Bank, LAPSSET main bank.

12.(a) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

For the purposes of cash flow cash and cash equivalents include bank balances, cash in hand, salary advance and staff imprest.

| | | FY 2024/2025 | FY 2023/2024 |
|------------------------------|-----------------------|---------------------|---------------------|
| | | Kshs | Kshs |
| Financial Institution | Account Number | | |
| (a) Current Accounts | | | |
| Kenya Commercial Bank | 1142485498 | 93,695,729 | 53,919,140 |
| NCBA Bank | 1001309354 | 84,178 | 98,491,299 |
| CFC Stanbic-Bank | 0100004036397 | 107,994 | 108,776 |
| Co Operative Bank | 0114121990000 | - | - |
| Sub-Total | | 93,887,902 | 152,519,215 |
| Cash In hand | | 48,795 | 24,799 |
| Sub-Total | | 48,795 | 24,799 |
| Total | | 93,936,697 | 152,544,014 |

13. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | FY 2024/2025 | FY 2023/2024 |
|----------------------------------|---------------------|---------------------|
| | Kshs | Kshs |
| Motor vehicle insurance | 209,748 | 341,128 |
| Medical Insurance | 9,138,376 | - |
| Salary Advance | 153,920 | 699,829 |
| Outstanding Imprest | 1,772,460 | 1,022,084 |
| LAPSSET Access Roads | - | 1,492,450 |
| MV Purchase Prepayment | - | 2,000,000 |
| Total current receivables | 11,274,504 | 5,555,491 |

14. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | LAPSSET access road | Motor vehicles | Furniture and fittings | Partitions | Computers | Total |
|--|-----------------------|----------------------------|-----------------------|-------------------------------|---------------------|---------------------|-----------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| As At 1st July 2023 | 17,539,000,700 | - | 82,840,439 | 17,015,843 | 22,366,358 | 19,051,736 | 17,680,275,075 |
| Additions | - | - | - | 4,472,970 | 2,475,000 | 4,560,911 | 11,508,881 |
| Disposals | | | | | | | |
| Transfers/Adjustments | | | | | | | |
| As at 30th June 2024 | 17,539,000,700 | - | 82,840,439 | 21,488,813 | 24,841,358 | 23,612,647 | 17,691,783,956 |
| Additions | - | 100,000,000 | - | - | - | 263,796 | 100,263,796 |
| Disposals | | | | | | | |
| Transfer/Adjustments | | | | | | | |
| As at 30th June 2025 | 17,539,000,700 | 100,000,000 | 82,840,439 | 21,488,813 | 24,841,358 | 23,876,443 | 17,792,047,752 |
| Depreciation And Impairment | | | | | | | |
| As At 1st July 2023 | - | - | (73,552,211) | (5,777,760) | (22,366,358) | (17,192,003) | (118,888,332) |
| Depreciation | - | - | (8,443,772) | (2,452,737) | (378,773) | (3,614,331) | (14,889,613) |
| Disposals | | | | | | | |
| Impairment | | | | | | | |
| Transfer/Adjustment | | | | | | | |
| As at 30th June 2024 | - | - | (81,995,983) | (8,230,498) | (22,745,131) | (20,806,334) | (133,777,945) |
| Depreciation | - | - | (844,456) | (2,463,791) | (413,325) | (1,766,670) | (5,488,242) |
| As at 30th June 2025 | - | - | (82,840,439) | (10,694,288) | (23,158,456) | (22,573,004) | (139,266,187) |
| Net Book Values | | | | | | | |
| As at 30th June 2024 | 17,539,000,700 | - | 844,456 | 13,258,315 | 2,096,227 | 2,806,313 | 17,558,006,011 |
| As at 30th June 2025 | 17,539,000,700 | 100,000,000 | - | 10,794,524 | 1,682,902 | 1,303,439 | 17,652,781,565 |

Property plant and Equipment at cost

| Description | Cost | Accumulated Depreciation | NBV |
|---|-----------------------|--------------------------|-----------------------|
| | Kshs | Kshs | Kshs |
| Freehold Land | 17,539,000,700 | - | 17,539,000,700 |
| LAPSSET access roads | 100,000,000 | - | 100,000,000 |
| Motor Vehicles | 82,840,439 | 82,840,439 | - |
| Computers And Related Equipment | 23,876,443 | 22,573,004 | 1,303,439 |
| Office partitions | 24,841,358 | 23,158,456 | 1,682,902 |
| Office Equipment, Furniture, And Fittings | 21,488,813 | 10,694,288 | 10,794,524 |
| Total | 17,792,047,752 | 139,266,187 | 17,652,781,565 |

Property plant and Equipment includes the following assets that are fully depreciated:

| Description | Cost or valuation | Normal annual depreciation charge |
|--|--------------------|-----------------------------------|
| Motor Vehicles including Motorcycles | 82,840,439 | 25% |
| Computers and Related Equipment | 22,573,004 | 33.33% |
| Office partitions | 23,158,456 | 16.70% |
| Office Equipment, Furniture and Fittings | 10,694,288 | 12.50% |
| Total | 139,266,187 | - |

15. INTANGIBLE ASSET – ERP SOFTWARE

| Description | 2024-2025 | 2023-2024 |
|------------------------------------|------------------|----------------|
| | Kshs | Kshs |
| Cost | | |
| As at July 2024 | 7,644,195 | 6,994,061 |
| Additions | 1,725,500 | 650,134 |
| As at 30th June 2025 | 9,369,695 | 7,644,195 |
| Additions–internal development | - | - |
| As at 30th June 2025 | 9,369,695 | 7,644,195 |
| Amortization and Impairment | | |
| As at July 2024 | (7,021,295) | (6,836,631) |
| Amortization | (593,242) | - |
| As at 30th June 2025 | (7,614,537) | (184,664) |
| Impairment loss | - | - |
| As at 30th June 2025 | (7,614,537) | (7,021,295) |
| NBV | 1,755,158 | 622,900 |

16. TRADE AND OTHER PAYABLES

| | FY2024-2025 | FY2023-2024 |
|---------------------------------------|-------------------|-------------------|
| | KShs | KShs |
| Grants and subsidies | 5,016,240 | 5,016,240 |
| Rent | 996,724 | 330,000 |
| Board Expenses | 258,000 | 84,000 |
| Repairs and Maintenance | 50,223 | 11,289 |
| Medical Insurance | 7,159,747 | 9,468,144 |
| Other Salaries Arrears | 8,485,241 | 2,785,392 |
| Other merchants | 9,673,816.17 | 5,926,371 |
| Total trade and other payables | 31,639,991 | 23,621,436 |

17. EMPLOYEE BENEFIT OBLIGATIONS

| Description | FY2024-2025 KShs | FY2023-2024 KShs |
|---|-----------------------------|-----------------------------|
| Pension Contribution | 18,620,171 | 5,535,065 |
| Total employee benefits obligation | 18,620,171 | 5,535,065 |

The Authority operates a defined benefit scheme for all permanent and pensionable employees from time of employment. The scheme is administered and custodians by BRITAM. The scheme is based on 31% of an employee at the time of retirement.

18. CASH GENERATED FROM OPERATIONS

| | FY2024-2025 KShs | FY2023-2024 KShs |
|--|---------------------|---------------------|
| Surplus for the Period | 12,286,316 | 14,335,744 |
| Adjusted for: | | |
| Depreciation | 6,081,484 | 15,074,278 |
| Working Capital changes | | |
| Increase in Prepayments | | 2,741,455 |
| Increase in provisions and payables | (7,211,463) | (6,083,747) |
| Increase in grants receivable | | - |
| Increase in provisions and payables | 23,808,588 | |
| Increase in gratuity | | |
| Net cash flow from operating activities | 34,964,926 | 26,067,730 |

19. RELATED PARTY BALANCES

LAPSSET Corridor Development Authority and other parties relates to the LAPSSET Corridor Development Authority include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions.

Government of Kenya

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

- i. The National Government
- ii. State Department of Transport
- iii. African Development Bank
- iv. Key Management
- v. Board of Directors

| Description | FY 2024/2025 Kshs | FY 2023/2024 Kshs |
|---|--------------------------|--------------------------|
| a) Grant from the Government | | |
| Grant from National Government | 638,400,000 | 620,799,999 |
| Grant from National Government – Conditional Grant | 10,000,000 | - |
| | | |
| Total | 648,400,000 | 620,799,999 |
| b) Key management compensation | | |
| Directors' emoluments | 21,045,450 | 12,314,200 |
| Compensation to the CEO | 6,110,000 | 5,550,000 |
| Compensation to key management | 28,276,000 | 28,276,000 |
| Total | <u>55,431,450</u> | <u>46,140,200</u> |

20. CONTINGENT ASSETS AND LIABILITIES

Contingent Assets

During the year under review the Authority had no contingent assets.

Contingent Liabilities

During the year under review the Authority had no contingent liabilities.

21. FINANCIAL RISK MANAGEMENT

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority's overall risk management Programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

| | Total Amount Kshs | Fully Performing Kshs | Past Due Kshs | Impaired Kshs |
|-------------------------------------|-------------------------|-----------------------------|---------------------|------------------|
| At 30th June 2025 | | | | |

| | | | | |
|--|--------------------|--------------------|-----|-----|
| Receivable from exchange transactions | 11,274,504 | 11,274,504 | N/A | N/A |
| Receivable from non- exchange transactions | - | - | - | - |
| Bank balances | 93,887,902 | 93,887,902 | | |
| Total | 105,162,406 | 105,162,406 | - | - |
| At 30 June 2024 | | | | |
| Receivable from exchange transactions | 4,855,662 | 4,855,662 | N/A | N/A |
| Receivable from non- exchange transactions | - | - | - | - |
| Bank balances | 153,218,504 | 153,218,504 | - | - |
| Total | 158,074,166 | 158,074,166 | - | - |

(ii) Liquidity risk managements

Ultimate responsibility for liquidity risk management rests with the Authority directors, who have built an appropriate liquidity risk management framework for the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows (in Kshs).

| | Less than 1 month | Between 1-3 months | Over 5 months | Totals |
|--|-------------------|--------------------|---------------|--------------------------|
| At 30th, June, 2025 | | | | |
| Provisions (Scholarship) | - | - | 5,016,240 | 5,016,240 |
| Employee benefit obligation (Pension and Gratuity) | - | - | 18,620,171 | 18,620,171 |
| Other accrued expenses | - | - | 26,623,750.81 | 26,623,750.81 |
| Total | | | | <u>50,260,162</u> |
| At 30th, June, 2024 | | | | |
| Provisions (Scholarship) | - | - | 5,016,240 | 5,016,240 |
| Employee benefit obligation (Gratuity) | - | - | 5,535,065 | 5,535,065 |
| Other accrued expenses | - | - | 18,605,196 | 18,605,196 |
| Total | - | - | | <u>29,156,501</u> |

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Authority's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

(a) Foreign Currency Risk

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

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid within 14 days from the date of the invoice and conversion at the time of payment is done using the exchange rate prevailing at the date of opening of contract.

(b) Interest rate risk

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

Management of interest rate risk

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

22. INCORPORATION OF LAPSSET CORRIDOR DEVELOPMENT AUTHORITY

The Authority is a state Corporation in the Ministry of Transport under the State Department of Transport. Its ultimate parent is the Government of Kenya.

23. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period.

24. CURRENCY

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

APPENDIX I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the External Audit Report | Issues/Observations from Auditors | Management Comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|--|--|---|
| 1. | Failure to disclose Buildings | The Authority is in the process of valuing the buildings. | Ongoing | FY 2025-2026 |
| 2. | Failure to comply with the one-third basic salary rule | The introduction of new tax laws (Finance Acts 2022 and 2023) contributed to breach of a third rule on the basic pay. However, the management has noted the recommendation and is in the process of instituting policies and procedures to ensure enforcement of the law and that all the staff remain above a third rule. | Ongoing | FY 2025-2026 |
| 3. | Non – Compliance with Fiscal Discipline on Compensation of Employees | the Authority was allocated less than half of the requested funds, that is Kshs. 620.8Million and since Personnel Emoluments is the first charge in implementation of the budget, the wage bill limit is thereby exceeded. | Ongoing | FY 2025-2026 |

| | | | | |
|----|---|---|---------|--------------|
| 4. | Delayed Implementation of the Authority's Mandate | <p>Sequencing of LAPSSET projects is core of the roles of the Authority as this will allow structured implementation of the Corridor for maximum benefit and effective resource utilization. The Authority is coordinating the implementation of LAPSSET projects with implementing Agencies in phases to allow the prioritization of critical components such as the Port of Lamu and construction of Roads.</p> <p>Additionally, the Authority secured funding from the African Development Bank to support Transaction Advisory services and Technical assistance whose one of the outputs is Sequencing Plan for the LAPSSET Corridor Projects. Once complete, the Plan will integrate the project components and their respective fiscal needs allowing prioritization and seamless implementation of the LAPSSET Corridor Projects.</p> | Ongoing | FY 2025-2026 |
|----|---|---|---------|--------------|

Accounting Officer

S. Ikua, MBS 
 Director General/C.E. O

Date.....16.12.25.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE AUTHORITY

The principal activity of the LAPSSET Corridor Development Authority is to Plan, Coordinate and Sequence the implementation of the LAPSSET Corridor Program Components.

During the year under review the Authority continued to provide Coordination and planning functions to the various projects implementing agencies. This led to significant milestones achievement culminating to Operationalisation of the first berth of Lamu Port, Transaction Advisory (TA) for the Port and Special Economic Zone which is ongoing and Land Acquisition for the Project Components.

APPENDIX III: INTER-ENTITY TRANSFERS

REPUBLIC OF KENYA

MINISTRY OF ROADS AND TRANSPORT**STATE DEPARTMENT FOR TRANSPORT**

Telegrams: "TRANSCOMS". Nairobi
 Telephone: 2729200
 E-mail: info@transport.go.ke
 When replying please quote

NGONG ROAD
 P. O. Box 52692-00200
 NAIROBI, KENYA

REF: MOT&I/ACCTS/062 Vol. I (84)**16th July, 2025**

The Managing Director
 LAPSSET Corridor Development Authority
NAIROBI

(Attn: Head of Finance/Accounts)

**RE: CONFIRMATION OF GRANTS/DISBURSEMENT TO SAGAS FINANCIAL
 YEAR 2024/2025**

The **State Department for Transport** wishes to confirm the amounts *disbursed to you* as at 30 June 2025 as indicated in the table below. Please compare the amounts *disbursed to you* with the amounts *you received* and populate them in column E in the table below. Then please sign and stamp this request in the space provided and return it to us.

| Confirmation of amounts received by (LAPSSET) as at 30 June 2025 | | | | | | |
|---|----------------|--|------------------------|-----------------------|--|------------------------------|
| Reference Number | Date Disbursed | Amounts Disbursed by State Department for Transport as at 30 June 2025 | | | Amount Received by (LAPSSET) as at 30 June 2025 (Kshs) (D) | Differences (Kshs) (E)=(C-D) |
| | | Recurrent (Kshs) (A) | Development (Kshs) (B) | Total (Kshs)(C)=(A+B) | | |
| FT24227SYWLT | 14/08/2024 | 50,000,000 | | 50,000,000 | 50,000,000 | |
| FT2424MDZGN | 29/08/2025 | 50,000,000 | | 50,000,000 | 50,000,000 | |
| FT24275L4RM3 | 01/10/2024 | 28,675,000 | | 28,675,000 | 28,675,000 | |
| FT243164T3WH | 11/11/2024 | 53,675,000 | | 53,675,000 | 53,675,000 | |

| | | | | | |
|--------------|------------|--------------------|-------------------|--------------------|------------|
| FT24345CC23W | 10/12/2024 | 35,000,000 | | 35,000,000 | 35,000,000 |
| FT24345XCG48 | 10/12/2024 | 40,000,000 | | 40,000,000 | 40,000,000 |
| FT250281LKKD | 28/01/2025 | 50,000,000 | | 50,000,000 | 50,000,000 |
| FT25072BPPVP | 13/03/2025 | 39,337,500 | | 39,337,500 | 39,337,500 |
| FT25094PXYQX | 04/04/2025 | 39,337,500 | | 39,337,500 | 39,337,500 |
| FT25112147J0 | 22/04/2025 | 50,000,000 | | 50,000,000 | 50,000,000 |
| FT25149Y10J4 | 29/05/2025 | 78,675,000 | | 78,675,000 | 78,675,000 |
| FT25184HS41Q | 03/07/2025 | 50,000,000 | | 50,000,000 | 50,000,000 |
| FT25184FFL4K | 03/07/2025 | 53,700,000 | | 53,700,000 | 53,700,000 |
| FT25195XS1G1 | 14/07/2025 | 20,000,000 | | 20,000,000 | 20,000,000 |
| FT250084WMVQ | 09/01/2025 | | 10,000,000 | 10,000,000 | 10,000,000 |
| Total | | 638,400,000 | 10,000,000 | 648,400,000 | |

I confirm that the amounts shown above are correct as of the date indicated.
 Head of Accounting Unit – State Department for Transport

Name JOHN MACHARIA Signature [Signature]

Date 17/7/2025 Stamp THE PRINCIPAL SECRETARY
STATE DEPARTMENT OF TRANSPORT
P O Box 52692-00200
NAIROBI

Head of Accounts Department - LAPSSET

Name Bernard OLUOCH Signature [Signature]

Date 21/07/2025 Stamp FOR:
DIRECTOR GENERAL / CEO
LAPSSET CORRIDOR DEVELOPMENT AUTHORITY
P.O. BOX 45008-00100
NAIROBI


APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor Transferring the funds | Date received | Nature: Recurrent Development Others | Total Amount - KES | Where Recorded/recognized | | | | | Total Transfers during the Year |
|--|-----------------------|---|--------------------|------------------------------------|--------------|-----------------|-------------|---------------------------------|---------------------------------|
| | as per bank statement | | | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | Others – statement of cash flow | |
| None | None | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Total | | | | | | | | | |


100-100



CONTACT US


 (020) 2218968

 @lapsset

 www.lapsset.go.ke

 LAPSSET Corridor
Development Authority

 dg@lapsset.go.ke

 P.O BOX 45008-00100
Chester House, Koinange
Street



Lamu Port



Highways



Oil Pipeline



Airports



Railway



Resort Cities